



The Analysis of Financial Banks in Libya and Their Role in Providing Liquidity

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Abstract

A commercial bank is a type of financial institution that accepts deposits, offers checking account services, makes various loans, and offers basic financial products like certificates of deposit (CD) and savings accounts to individuals and small businesses. Liquidity is the ability of banks to meet their debt obligations, can repay all depositors, and can meet credit requests submitted by debtors without a deferment. This shows that there are several factors and indicators that affect liquidity in banks in Libya such as ROA, ROE, NPL, CAR and Bank Size. By analyzing commercial banks, it will be known the factors that most influence their liquidity. The aim of this research is to the analysis of financial banks in Libya and their role in providing liquidity. This research will use quantitative research. Data collection method in this research is documentation with secondary data since year 2012-2019. The hypothesis test in this study is done by using Panel Regression analysis and ANOVA. Analysis results analysis of financial banks in Libya and their role in providing liquidity is shown analysis compare common effect models with fixed effect models also Lagrange Multiplier Test the best estimation method is the Common Effect. R Square (R²) value is equal to 0.917. The magnitude of the R Square determination coefficient number is 0.917 or equal to 91.7%. This number means that the ROA, ROE, NPL, CAR, and SIZE variables together to influence the Providing Liquidity variables. While the remaining (100%-91.7% = 8.3%) are influenced by other variables outside this regression equation or variables not examined. The F test is 0.000, because sig. 0.000 < 0.05, then the basis of the providing liquidity in the F test can be concluded that ROA, ROE, NPL, CAR, and SIZE have an effect on commercial bank in Libya, which means significant. Thus, the R coefficient value in the multiple linear regression analysis has been fulfilled. Based on the analysis data, the result showed that there analysis of financial banks in Libya and their role in providing liquidity and influenced by other variables outside this regression equation or variables not examined. Suggestions for future research is to add another variables that analysis of financial commercial banks

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INTRODUCTION

Research Background

The banking world is one of the institutions that play a very important role in the economy of a country, especially in the field of economic financing. Banks in carrying out their functions require funds to finance banking activities. According to Kasmir, (2012) "a bank is a business entity that collects funds from the public in the form of deposits and distributes them to the community in the form of credit and or other forms in order to improve the lives of many people. The banks facilitate production, investments, and support in economic growth through the transformation in liquidity. Banking sector liquidity is directly associated with the security of fund availability and accessibility of financial resources. Banks can meet their commitments if they are able to borrow or if their assets are quickly transformed into cash with minimum or no losses.

However, banks' capital structure might be fragile due to the divergence between banks' assets and liabilities.

The banks are able to address liquidity distresses by lending and borrowing from their financial reserves, when that are in excess; thereby increasing the inefficiency of these banks. Angreini (2016) in his research results showed that there were no deviations from the classical assumption test. From the results of the analysis of the Bank Size variable has a negative and significant effect on NPL, lending rates have a positive and significant effect on NPL while CAR and LDR have no significant effect on NPL.

Banks in libya play a crucial role in the economic resource allocation of countries by basically channeling funds from depositors to investors continuously (Ongore and Kusa, 2013). They offer all important services of providing deposit and loan facilities for personal and corporate customers, making credit and liquidity available in adverse market conditions, and providing access to the nation's payments systems. Besides, banks are also the ultimate vendors of transmitting effective monetary policy of the central bank of the economy thus in a way they share the responsibility of stabilizing economy (Siddiqui and Shoaib, 2011). The soundness of

banking sector is very critical to the health of the entire economy. In agreement Katrodia (2012) posited that they are closely related. On the other hand, the soundness of the banks to a larger extent depends on their financial performance which indicates the strength and weakness of a particular bank (Makkar and Singh, 2013). Financial performance is evaluated by the profitability.

Liquidity creation plays an important role in banks in libya being a critical financial factor within the economy. It also plays an important role in the establishment of macro-economy by encouraging the production of goods and spur economic growth of the country. It is also possible that banks fail while creating high amounts of liquidity on the balance sheet within a specific time period. This might result in drying up of the liquidity with adverse consequences for the country's economy (Tu, 2015).

The literature has cited two contrary views concerning the effects of banks' market power on their capacity to create liquidity. The first view is related to the fact that increased competition (i.e. low market power) might reduce bank profitability, leading to an increase in bank fragility (Jimenez, Lopez, & Saurina, 2013). The solvency of particular institutions threatened by the standard principle of banking supervision allows excessive competition among the banks. Therefore, banks would try to limit the amount of credit granted and reduce the volume of deposits accepted that would reduce the liquidity created by banks. The second view suggested that high competition or low market power would lead to a reduction in loan rates and an increase in deposit rates, which increases the demand for loans and deposits (Boot & Thakor, 2000). In this scenario, small banks appear to provide no significant buffer to the investments (Kashyap & Stein, 1995). Therefore, bank liquidity creation is expected to increase through the bank pricing channel (Love & Peria, 2015).

The study targets the banks due to their critical role to the soundness of the entire economy. Furthermore, according to Almazari (2012) banks and other financial institutions are a unique set of business firms whose assets and liabilities, regulatory restrictions, economic functions and operating make them an important subject of research, particularly in the conditions

of the emerging financial sectors (Ayanda et al., 2013). Besides, Flamini et al. (2009) recommended future research focused on country-specific studies that would provide country level policy conclusions.

Study of Himawati et.al (2017) stated that that the decline in the cultural value of the gusjigang owned by traders to consumers or customers have a significant influence on customer loyalty of the Kliwon Kudus Market wholesale shop. Knowledge of the underlying factors that influence the financial sector's profitability is essential not only for the managers of the banks, but also for numerous stakeholders such as the central banks, bankers associations, governments, and other financial authorities (Sufian and Chong, 2008).

Based on the description above, it needs to be researched about Analysis Financial Banks in libya And Their Role In Providing Liquidity. The model used is regression analysis and secondary data in period 2012-2019.

LITERATURE REVIEW

Bank

According to article 1 of Law No. 10 of 1998 concerning amendments to Law No.7 of 1992 concerning Banking, banks are defined as follows "Banks are business entities that collect funds from the public in the form of deposits and distribute them to the public in the form of credit or other forms in order to improve the standard of living. many people. "While another understanding" the Bank is a financial institution. Financial institutions in the broadest sense are intermediaries from parties who have excess funds (surplus of funds) with those who lack funds (lack of funds)" (Wardiah, 2013).

Return On Asset (ROA)

ROA is a ratio that shows the ratio between earnings (before tax) and total bank assets, this ratio shows the level of efficiency of asset management carried out by the bank concerned. ROA is an indicator of the ability of banks to obtain a return on a number of assets owned by banks (Pandia, 2012). Return On Assets (ROA) focuses the ability of companies to obtain profits in the company's operations by utilizing the assets

they have in generating profits. Companies that aim for profit will try to get optimal profits and improve services to the community (Nazir, N., & Agustina, N. 2019).

Return on assets is a ratio that shows the results (return) on the use of company assets in creating net profit. In other words, this ratio is used to measure how much net income will be generated from each rupiah of funds that are embedded in total assets (Hery, 2017). ROA serves to measure the effectiveness of the company in generating profits by utilizing the assets owned. The greater the ROA owned by a company, the more efficient the use of assets so that it will increase profits. Large profits will attract investors because the company has a higher rate of return (Wardiah, 2013: 299).

Return On Equity (ROE)

Return On Equity (ROE) is a ratio that shows the ratio between earnings (after tax) with bank capital (core capital), this ratio shows the percentage level that can be generated. ROE is an indicator of the ability of banks to manage available capital to obtain net income. ROE can be obtained by calculating the ratio between profit after tax with total equity (Pandia, 2012). ROE is expressed as a percentage and can be calculated for any company if net income and equity are both positive numbers. Net income is calculated before dividends paid to common shareholders and after dividends to preferred shareholders and interest to lenders.

Non Performing Loan (NPL)

Based on the Bank of Indonesia circular letter no. 3/30 dpnp dated December 14, 2001, non-performing loans (NPL) is measured by a ratio that compares bad credit to total disbursed loans. The high value of NPL will enlarge costs and potentially cause bank losses. Loans in this case are credits granted to third parties excluding credit to other banks. Non-performing loans are credits with poor quality, doubtful, and loss. In accordance with the rules set by the Bank of Indonesia, the amount of good NPL is less than 5%. This ratio shows the quality of credit assets that if the collectibility is substandard, doubtful and loss of the total credit as a whole then the bank is facing problem loans.

Capital Adequacy Ratio (CAR)

Capital adequacy ratio is the capital adequacy that indicates a bank's ability to maintain sufficient capital and management capability of a bank to identify, measure, monitor, and control risks that arise and may affect the amount of bank capital (Kuncoro and Suhardjono, 2002). Capital adequacy ratio (CAR) is a ratio that shows how much the total assets of banks that contain the risk (credit, inclusion, securities, bills in other banks) are also financed from their own capital other than the funds obtained from other sources outside the bank. The capital ratio that is commonly used to measure bank capital adequacy is the Capital Adequacy Ratio (CAR) (Barus, 2011). The amount of CAR is measured from the ratio of own capital to Risk Weighted Assets.

With the increasing level of solvency of a bank, it will indirectly affect the improvement of bank's performance, because the losses borne by the bank can be covered by the capital owned by the bank.

Size of Bank

According to (Kuncoro and Suhardjono, 2011), company size is a scale that can be classified as large or small companies as indicated by total assets, market value of shares, log size and others. Basically the size of the company is divided into three categories, namely large companies, medium companies and small companies. Determination of company size is based on the total assets of the company. According to (Brigham and Houston, 2016), company size is the size of the company that can be shown from the value of total assets, total sales, total profits, tax expenses and others. The greater the size of a bank, the greater the amount of profit earned by the bank. Because large companies can easily take advantage of company size in obtaining agreements with other parties in the financial sector.

According to Shafi'i (2015) the size of a bank can be assessed from the total assets owned by the bank. Assets for the company are resources that are owned to be managed properly in order to bring in income. The biggest assets of a bank are loans. Banks with large total assets have the

potential to channel more credit. According to Chagwiza (2015), Moussa (2015), and Shafi'i (2015) measurement of company size can be done by calculating the natural logarithm of total assets

Provide Liquidity

Liquidity is the ability of banks to meet the possibility of withdrawal of deposits / deposits by depositors / customers. In other words, according to this definition a bank is said to be liquid if it can meet the obligation to withdraw money from customers and from borrowers. Liquidity is the ability of banks to meet their debt obligations, can repay all depositors, and can meet credit requests submitted by debtors without a deferment. Liquidity is also the ability of a person or company to pay off debts that must be paid immediately using their current assets. In general, a company's liquidity level is shown in certain numbers, such as fast ratio numbers, current ratio numbers, and cash ratio figures.

According to Bambang Riyanto (2010) states that Liquidity is related to the problem of a company's ability to meet its financial obligations which must immediately be met. The amount of payment instruments (liquid instruments) owned by a company at one time is the paying power of the company concerned. Also according to Syafrida hani, (2015) states that Liquidity is the ability of a company to meet financial obligations that can be immediately disbursed or are due. Specifically, liquidity reflects the availability of funds owned by the company to meet all debts that are due.

There are probable contradictions between the objectives of liquidity, safety and profitability when linked to a commercial bank. Efforts have been made by economists to resolve these contradictions by laying down some theories from time to time. In fact, these theories monitor the distribution of assets considering these objectives. These theories are referred to as the theories of liquidity management which will be discussed further in below.

Commercial Loan Theory

The commercial loan or the real bills doctrine theory states that a commercial bank should forward only short-term self-liquidating

productive loans to business organizations. Loans meant to finance the production, and evolution of goods through the successive phases of production, storage, transportation, and distribution are considered as self-liquidating loans. This theory also states that whenever banks in Libya make short term self-liquidating productive loans, the central bank should lend to the banks on the security of such short-term loans. This principle assures that the appropriate degree of liquidity for each bank and appropriate money supply for the whole economy.

The central bank was expected to increase or erase bank reserves by rediscounting approved loans. When business started growing and the requirements of trade increased, banks were able to capture additional reserves by rediscounting bills with the central banks. When business went down and the requirements of trade declined, the volume of rediscounting of bills would fall, the supply of bank reserves and the amount of bank credit and money would also contract.

Doctrine of Asset Shiftability

As a result of the many weaknesses of the previous theory, came the theory of Doctrine of Asset Shiftability. Where this theory says that banks can immediately meet their liquidity needs by providing a shiftable loan or call loan, which is a loan that must be paid by notifying one or several days in advance with collateral for securities. Loans can pay off these loans both directly and indirectly by shifting the loan to another bank. If the reason for the loan cannot be paid, the bank can sell collateral in the form of securities for repayment. This doctrine works if the financial market has developed and is quite active, with the understanding that any amount of demand and supply can be absorbed by the market.

But this theory also has a weakness, namely if at the same time banks need liquidity and sell securities guarantees to meet their liquidity needs, in this situation not only will credit be irreversible, but it will also cause a decline in the price of securities because the banks sell their collateral at the same time.

Theory of Shiftability to The Market

This market transfer theory was introduced as a result of the rapid issuance of valuable letters, especially in the US administration, such as treasury bills during the depreciation period and several others which subsequently created a well-organized and well-developed securities market. This theory also assumes that a bank's liquidity can be guaranteed if the bank has a portfolio of securities that can be immediately transferred to obtain cash or liquidity.

This theory also has several shortcomings, which include when the banking system requires liquidity at the same time, is carried out by selling securities to meet its liquidity needs so that at the same time banks become sellers of securities. For a country that has a well-functioning central bank, the situation is not a problem, because the central bank will take action by buying the securities of all banks. But when the central bank system is not yet advanced and running well, this will be a problem in the country's banking system.

Anticipated Income Theory

This theory was proposed by H.V. Prochanow in 1944 on the basis of the practice of extending term loans by the US commercial banks. This theory states that irrespective of the nature and feature of a borrower's business, the bank plans the liquidation of the term-loan from the expected income of the borrower. A term-loan is for a period exceeding one year and extending to a period less than five years.

Theory of Anticipation of Revenue arises from the background of the low loan application to banks which results in excess liquidity and low profits earned by banks, especially when economic depreciation occurs. This theory encourages banks to be more aggressive in providing long-term credit. The theory states that banks should be able to provide long-term credit, which is extended, namely the principal repayments of loans and interest can be expected and scheduled payments in accordance with a predetermined time period. The customer's repayment schedule will provide regular cash flow that can be used to meet the bank's liquidity needs. The weakness of the Anticipated Income Theory is to assume that all loans can be billed according to the scheduled time, without giving the possibility of default on credit by the debtor due to external or internal

factors. Internal factors can be mismanagement or lack of experienced and skilled human resources. This theory is considered difficult to expect as a source of seasonal liquidity and meets the demand for credit that must be met immediately.

Banks in libya

A commercial bank is a type of financial institution that accepts deposits, offers checking account services, makes various loans, and offers basic financial products like certificates of deposit (CD) and savings accounts to individuals and small businesses. A commercial bank is where most people do their banking, as opposed to an investment bank.

Banks in libya have contributed to support the transition plans and has provided credit facilities of different types of financing for development projects, as the Libyan banks in libya first entered the mortgage lending field, in the form of grants mortgage loans directly to urban development loans and housing for low-income people, which aimed to solve the housing problem, and loans for the development of the tourism sector, and loans for the shack dwellers, as banks in libya have entered a new arena, was to participate in the creation and establishment of some companies and joint ventures, related to the trade and services sector, also played the Central Bank of Libya as banks Bank - and give attention to support the banking and monetary policy in the State - an important role in providing credit facilities to commercial banks, either through re-commercial paper discount, or make loans, and cash and great credit impact in improving the banking activity and the development of performance because of the important role that contributed to the law in banking regulation, and support for the Libyan banking sector and strengthening the powers of the central bank in the areas of follow-up of the banks and control.

The banks in libya Libyan and business in general in various states vital and effective role in supporting the economic and social development, as it works to attract funds from various sources, and direct these funds to the investment outlets and support the transition and to provide credit facilities to finance development projects, plans, consistent economic and social policies in the state, in order to increase production efficiency of

physical, human and financial resources, and make a profit at the lowest cost. And from this role and through the informed researcher on what has been published in books and sources on the subject of sources and uses of funds in commercial banks, and also through personal interviews conducted by a researcher with the existing banking work CBB Libya, and the importance of the saw researcher presenting the subject in the form of a simple search, where he dealt with through a realistic view of the sources and uses of funds in the Libyan banks in libya and the Central Bank of Libya.

Research Framework

The flow of research conducted is, the phenomenon Analysis Financial Banks in libya And Their Role In Providing Liquidity can be explained as follows: there is financial commercial banks. There are also banks role in providing liquidity. There are financial banks in libya and their role in providing liquidity. There are financial banks in libya and their role in providing liquidity in Libya. So it is hoped that some of these factors can be proven to influence unemployment. The flow of research to be carried out can be described as follows:

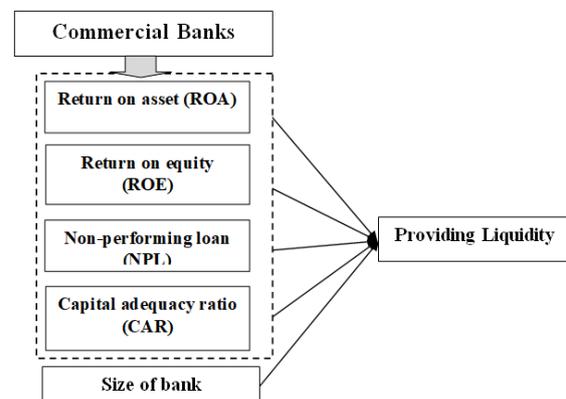


Figure 1. Research Framework

METHODS

Type of Research

The research method is important in a study to explain the sequence of a study conducted. This study aims to determine the Analysis of Financial Banks in libya and Their Role In Providing Liquidity. In general the method used is a qualitative method which is used

to understand how the experimental process takes place.

This research uses a quantitative approach with an experimental method. Where the experimental research method was chosen because to test an idea, does the idea have a causal relationship or affect the results (independent variables). Creswell (2015) revealed that experiments are the best quantitative design that can be used to determine probable cause and effect.

According to Sugiyono, quantitative research method can be interpreted as a method of research that is based on the philosophy of positivism, is used to examine the population or a particular sample. The sampling technique is generally done at random, data collection using research instruments, quantitative data analysis/statistics with the aim to test the hypothesis that has been set (Sugiyono, 2012). Quantitative methods are often also referred to traditional methods, positivistic, scientific and discovery methods. Quantitative methods called traditional methods, because this method is long enough to use so it's been a tradition, as a method for research. This method is referred to as a method of positivistic because based on the philosophy of positivism.

Data source

Secondary Data is the source of data in this study obtained from data that has been collected and has been provided by other parties. Researchers only need to use the data according to their needs (Sanusi, 2011: 104). Secondary data is not only available at the agency where the research is conducted but also outside the agency or research location.

Method of collecting data

The method in collecting data in this study is to use documentation is a data collection technique that is done by collecting various data. The documentation technique of secondary time series data is obtained from the publication of financial statements of banks in Libya from 2012

to 2019 and publication of financial reports from Bank Libya in <https://cbl.gov.ly/> in period 2012-2019.

Technique Analysis Data

There are two types of tests used in the study, the normality test and hypothesis testing.

1. Normality test

Normality test is useful in the early stages of the selection methods of analysis. If are normal, then use parametric statistics, and if not normally used non parametric statistics. The purpose of this normality test is to determine whether the regression model or residual confounding variable has a normal distribution. This testing is necessary because to do the t test and F test assumes that the value of the residuals follow a normal distribution (Mulyani 2007).

2. The hypothesis in this study is done by using

Regression analysis

$$Y = a + b_1X_1 + b_2X_2$$

Whereas:

Y = economic growth

a = constanta

b₁-b₂ = coefficient beta

X₁ = interest rate

X₂ = inflation

3. Significant Partial Test (Test - t)

For hypothesis testing, test criteria as follows:

H₀ is accepted if Sig. t > 0.05

H_a accepted if Sig. t < 0.05

4. Anova with single Classification followed by Post Hoc Analysis (Tukey–Kramer test, P>0.05).

RESULTS AND ANALYSIS

Descriptive Statistic

Sample in this research are from period year 2000-2018. Descriptive statistic reflects the minimum value, mean, maximum value and standard deviation from all data research.

Table 1. Chow Test

Effects Test	Statistic	d.f.	Prob.	
Cross-section F	1.787972	(2.16)	0.1991	
Cross-section Chi-square	4.841106	2	0.0889	
Variable	Coefficient	Std. Error	t-Statistic	Prob.
ROA	-0.403195	2.561940	-0.157379	0.8767
ROE	-4.360514	1.789966	-2.436088	0.0255
NPL	-1.037234	0.812976	-1.275848	0.2182
CAR	3.056628	1.597754	1.913078	0.0718
SIZE	0.227715	0.280401	0.812102	0.4273
C	31.89443	12.46777	2.558151	0.0198
Root MSE	6.217409	R-squared		0.916702
Mean dependent var	38.12392	Adjusted R-squared		0.893564
S.D. dependent var	22.00563	S.E. of regression		7.179245
Akaike info criterion	6.992583	Sum squared resid		927.7481
Schwarz criterion	7.287097	Log likelihood		-77.91100
Hannan-Quinn criter.	7.070718	F-statistic		39.61830
Durbin-Watson stat	1.719630	Prob(F-statistic)		0.000000

Source: Research data processed in 2020

Table 1. showed it can be noted that the probability value (Prob) for Cross-section F if the value is > 0.05 then the selected model is the Common Effect, but if < 0.05 then the model used is Fixed Effect. Based on the results above it appears that the value of Prob. Cross-section F of 0.0889 with a value > 0.05 so that it can be concluded that the Common Effect (CE) model is

the most appropriate compared to the Fixed Effect (FE) model.

If the chow test turns out to choose the common effect, then the next step to do is the random effect test then the Lagrangian multiplier test to determine whether or not to choose the common effect or random effect.

Table 2. Lagrange Multiplier

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	1.558773 (0.2118)	0.038891 (0.8437)	1.597664 (0.2062)
Honda	-1.248508 (0.8941)	0.197208 (0.4218)	-0.743381 (0.7714)
King-Wu	-1.248508 (0.8941)	0.197208 (0.4218)	-1.008116 (0.8433)
Standardized Honda	1.671714 (0.0473)	0.166556 (0.4339)	-3.496590 (0.9998)
Standardized King-Wu	1.671714 (0.0473)	0.166556 (0.4339)	-4.575723 (1.0000)
Gourieroux, et al.*	--	--	0.038891 (0.6670)

Source: Research data processed in 2020

Table 2. showed the P Value is indicated by the number below that is equal to 0.2118 where the value is greater than 0.05. So the Lagrange

Multiplier Test shows that accepting H_0 which means the best estimation method is the Common Effect.

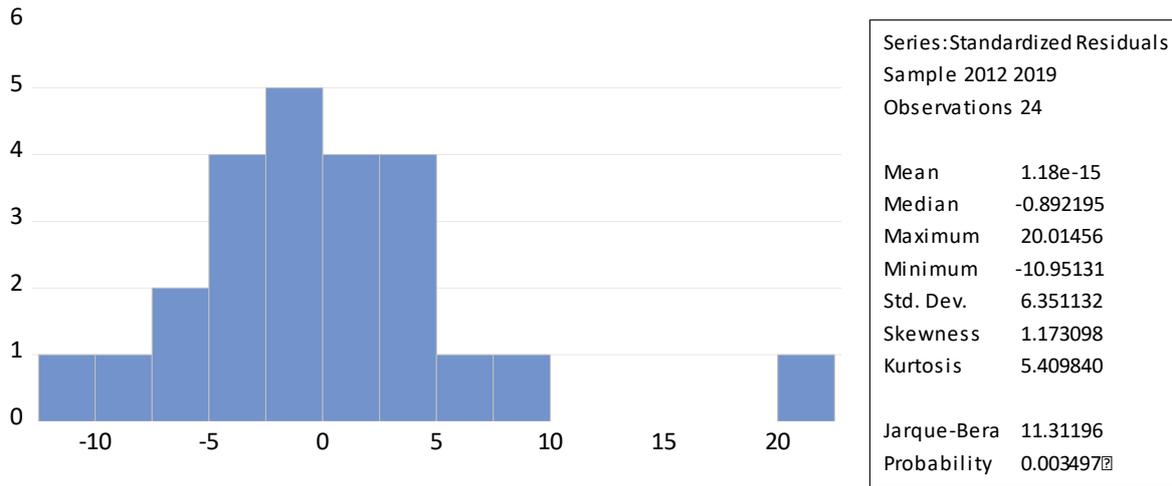


Figure 2. Histogram-Normality Test

Figure2. showed residual normality test results above are: Jarque-Bera value of 11.311 with p value of 1.710 > 0.05 so that H1 is rejected or means that the residuals are normally distributed.

Table 3. Multicollinearity Test

	ROA	ROE	NPL	CAR	SIZE
ROA	1.000000	0.380278	0.767686	0.842152	0.648070
ROE	0.380278	1.000000	-0.074727	0.220103	-0.270397
NPL	0.767686	-0.074727	1.000000	0.917529	0.939855
CAR	0.842152	0.220103	0.917529	1.000000	0.866848
SIZE	0.648070	-0.270397	0.939855	0.866848	1.000000

Source: Research data processed in 2020

Table 3. showed it can be seen that the correlation value between variable X looks very high at 0.648. This can indicate that the regression model experienced multicollinearity. To ensure

that we do further testing of the data by regressing between independent variables (X). And Regression between Independent variables (X).

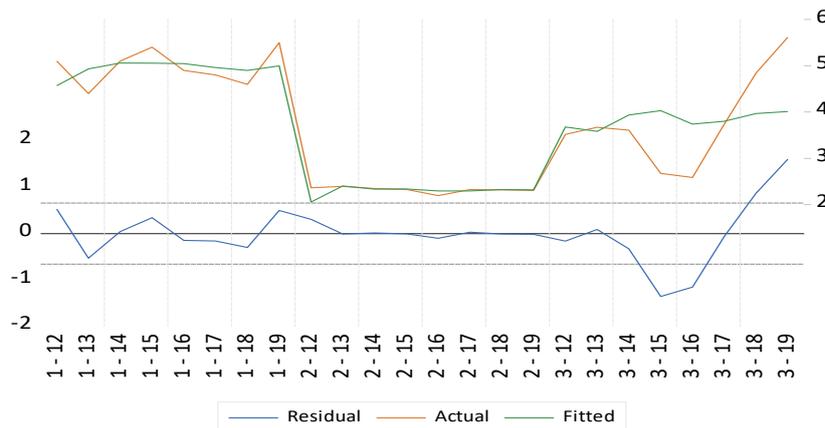


Figure 3. Heterpscedasity graph

Table 5. showed the the picture above can be seen that the data points do not form a certain pattern and the data spreads above and below with the number 0 on the Y axis. Therefore, it can be concluded that there is no interference with the

assumption of heteroscedasticity meaning that this regression model is good.

Result of Regression Analysis Test

The results of the multiple linear regression analysis (in the F test) can be seen in the table below:

Table 4. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1.	Regression	10209.946	5	2041.989	39.618	0.000
	Residual	927.748	18	51.542		
	Total	11137.694	23			

Source: Research data processed in 2020

Table 4. Based on the table above it is known that the significance (sig.) in the F test is 0.000, because sig. 0.000 < 0.05, then the basis of the providing liquidity in the F test can be concluded that ROA, ROE, NPL, CAR, and

SIZE have an effect on unemployment in these countries, which means significant. Thus, the R coefficient value in the multiple linear regression analysis has been fulfilled.

Table 5. Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	31.894	12.468		2.558	0.020
Income	-0.403	2.562	-0.023	-0.157	0.877
Inflation	-4.361	1.790	-0.567	-2.436	0.025
Economic Growth	-1.037	0.813	-0.342	-1.276	0.218
Education	3.057	1.598	0.858	1.913	0.072

Source: Research data processed in 2020

Table 5. Based on the table above it is known that the significant value of the ROA (X1) variable is 0.887, because the significant value is 0.887 > 0.05, it can be concluded that H1 was rejected. The significant value of the ROE (X2) variable is 0.025, because the significant value is 0.025 < 0.05, it can be concluded that H1 is accepted. The significant value of the NPL (X3) variable is 0.218, because the significant value is 0.218 > 0.05, it can be concluded that H1 was rejected. The significant value of the CAR (X4) variable is 0.072, because the significant value is 0.072 > 0.05, it can be concluded that H1 was rejected. The significant value of the SIZE (X4) variable is 0.427, because the significant value is 0.427 > 0.05, it can be concluded that H1 was rejected.

Also on the table above, it is known that t count on variable ROA is -0.157, because t count is -0.157 < 1.710, it

can be concluded that H1 is rejected, meaning that there is not really have impact of ROA on providing liquidity. It is known that t count on variable ROE is -2.436, because t count is -2.436 < 1.710, it can be concluded that H1 is rejected, meaning there is not really have impact of ROE on providing liquidity. It is known that t count on variable NPL is -1.276, because t count

is -1.276 < 1.710, it can be concluded that H1 is rejected, meaning that there is not really have impact of NPL on providing liquidity. It is known that t count on variable CAR 1.913, because t count is 1.913 > 1.710, it can be concluded that H1 is accepted, meaning that there is an impact of CAR on providing liquidity. It is known that t count on variable SIZE 0.812, because t count is 0.812 < 1.710, it can be concluded that H1 is accepted, meaning that there is not really have impact of SIZE on providing liquidity.

Discussion

This part consists of descriptions that relate to the result of research and the theories literature review and result. The results of this study find that there is analysis between ROA on providing liquidity, there is analysis between ROE on providing liquidity, there is analysis between NPL on providing liquidity, there is analysis between CAR on providing liquidity, there is analysis between Size Bank on providing liquidity in Libya Banks in Libya. These findings also are supported by previous studies below.

Kumbirai and Webb (2010) investigated the performance of South Africa's Banks in Libyaing sector for the period 2005-2009. They employed financial ratios to measure the profitability,

liquidity and credit quality performance of five large South African based Banks in Libya. The study found that overall bank performance increased considerably in the first two years of the analysis. A significant change in trend is noticed at the onset of the global financial crisis in 2007, reaching its peak during 2008-2009. This resulted in falling profitability, low liquidity and deteriorating credit quality in the South African Banking sector.

Still within Africa, Ayanda et al. (2013) endeavoured to study profitability determinants in the banking sector of the Nigerian economy however they used First Bank of Nigeria Plc only as a case study. Results revealed that contrary to views of some authors, Bank Size (Natural Logarithm of Total Asset and Number of Branches) and Cost Efficiency did not significantly determine bank profitability in Nigeria. However, Credit Risk (Loan Loss Provision-Total Assets) and Capital Adequacy (Equity-Total Assets) were found to be significant drivers which affected bank profitability both in the long run and short run respectively. Also, while Liquidity affected bank profitability in the short run, Labour efficiency (Human Capital ROI and Staff Salaries-Total Assets) only affected bank profitability in the long run. But as for the external or macroeconomic variables which determined bank profitability, only Broad Money Supply growth rate was found to be a significant driver both in the long run and in the short run.

Another African study was carried out in Kenya by Ongore and Kusa (2013). Study was in recognition of scantiness of studies on moderating effect of ownership structure on bank performance. The results highlighted that bank specific factors significantly affect the performance of Banks in Libya in Kenya, except for liquidity variable. On the other hand, the overall effect of macroeconomic variables was inconclusive at 5% significance level. Besides, the moderating role of ownership identity on the financial performance of Banks in Libya was found to be insignificant. Thus, it was concluded that the financial performance of Banks in Libya in Kenya is driven mainly by board and management decisions, while macroeconomic factors have insignificant contribution.

Almazari (2012) attempted to measure the financial performance of the Jordanian Arab Banks in Libya for the period 2000-2009 by using the DuPont system of financial analysis which is based on analysis of return on equity model. The return on equity model disaggregated performance into three components: net profit margin, total asset turnover, and the equity multiplier. The results indicated that the financial performance of Arab Bank was relatively steady and reflected minimal volatility in the return on equity. Net profit margin and total asset turnover exhibited relative stability for the period from 2001 to 2009. The equity multiplier also revealed stability for the period from 2001-2005 and the ratios declined from 2006-2009 which indicated that the Arab bank had less financial leverage in the recent years, which means the bank relied less on debt to finance its assets.

ROA is an indicator of the ability of banks to obtain a return on a number of assets owned by banks (Pandya, 2012). Return On Assets (ROA) focuses the ability of companies to obtain profits in the company's operations by utilizing the assets they have in generating profits. Companies that aim for profit will try to get optimal profits and improve services to the community (Nazir, N., & Agustina, N. 2019).

Return On Equity (ROE) is a ratio that shows the ratio between earnings (after tax) with bank capital (core capital), this ratio shows the percentage level that can be generated. ROE is an indicator of the ability of banks to manage available capital to obtain net income. ROE can be obtained by calculating the ratio between profit after tax with total equity (Pandya, 2012).

Non-performing loans (NPL) is measured by a ratio that compares bad credit to total disbursed loans. The high value of NPL will enlarge costs and potentially cause bank losses. Loans in this case are credits granted to third parties excluding credit to other banks. Non-performing loans are credits with poor quality, doubtful, and loss.

Capital adequacy ratio (CAR) is a ratio that shows how much the total assets of banks that contain the risk (credit, inclusion, securities, bills in other banks) are also financed from their own capital other than the funds obtained from other sources outside the bank. The capital ratio that is

commonly used to measure bank capital adequacy is the Capital Adequacy Ratio (CAR) (Barus, 2011).

Brigham and Houston (2016) said company size is the size of the company that can be shown from the value of total assets, total sales, total profits, tax expenses and others. The greater the size of a bank, the greater the amount of profit earned by the bank. Because large companies can easily take advantage of company size in obtaining agreements with other parties in the financial sector.

To estimate the model we can be noted that the probability value (Prob) for Cross-section F if the value is > 0.05 then the selected model is the Common Effect, but if < 0.05 then the model used is Fixed Effect. Based on the results above it appears that the value of Prob. Cross-section F of 0.0889 with a value > 0.05 so that it can be concluded that the Common Effect (CE) model is the most appropriate compared to the Fixed Effect (FE) model. Lagrange Multiplier Test is an analysis carried out with the aim to determine the best method in panel data regression P value is indicated by the number below that is equal to 0.2118 where the value is greater than 0.05. So the Lagrange Multiplier Test shows that accepting H_0 which means the best estimation method is the Common Effect.

The coefficient or R Square (R^2) value is equal to 0.917. The magnitude of the R Square determination coefficient number is 0.917 or equal to 91.7%. This number means that the ROA, ROE, NPL, CAR, and SIZE variables together to influence the Providing Liquidity variables. While the remaining ($100\% - 91.7\% = 8.3\%$) are influenced by other variables outside this regression equation or variables not examined.

The significance (sig.) in the F test is 0.000, because sig. $0.000 < 0.05$, then the basis of the providing liquidity in the F test can be concluded that ROA, ROE, NPL, CAR, and SIZE have an effect on providing liquidity, which means significant. Thus, the R coefficient value in the multiple linear regression analysis has been fulfilled.

CONCLUSION

The conclusion as follows: there is significant impact of ROA, ROE, NPL, CAR and SIZE BANK to providing liquidity. It has been found that among the several factors that providing liquidity the most significant is return on equity (ROE). While other factors such as ROA, NPL, CAR and SIZE BANK but are not really significant.

The significance (sig.) in the F test is 0.000, because sig. $0.000 < 0.05$, then the basis of the providing liquidity in the F test can be concluded that ROA, ROE, NPL, CAR, and SIZE have an effect on providing liquidity, which means significant. Thus, the R coefficient value in the multiple linear regression analysis has been fulfilled.

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