Developing a Strategy (Developng Strategies of…..) for Islamic Money Market (ISLAMIC CAPITAL MARKET/SHARIAH CAPITAL MARKETModel to Enhance Quality ofIslamic Banking Performance during the Pandemic in Indonesia 2021*

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Abstract ***What is the aim of study, methode, finding and result. Abstract must be clear, and describe the object of the study***

Islamic banking for the Indonesian people is a concept that has been developed since 1992 but is still relatively new for the Indonesian people, including the Muslim community itself. Based on the fact that the practice of Islamic banking is only at an early stage, it is only natural that the Islamic banking system is still poorly understood by the public, in the end, even though the customers of Islamic banks are not sure about bank management, they still use Islamic banking services. In the view of sharia, money is not a commodity but a tool to achieve added economic value. Without the added economic value, money cannot create prosperity. This is in contrast to interest-based banking where money breeds money, regardless of whether it is used in productive activities or not. Time is the main factor. Meanwhile, in the view of sharia, money will only grow if it is invested in real economic activities. In operational activities, Islamic banking is faced with problems that can become obstacles in achieving its goals, including problems related to a crisis. Basically, Islamic banking has similarities with conventional banking in dealing with risks in business process activities. These risks can be caused by natural disasters, human error and pandemic risks. This research is a literature review which is expected to produce a robust model Islamic money market to enhance quality of Islamic banking in facing and deal with the crisis due to the pandemic.

Keywords: Islamic Money Market (Shariah Capital Market), ~~Quality~~ Islamic

Banking, Covid-19 PandemicJEL Classification Code: A10, A13, E58, F6

1. Introduction

- Acadenic gap was not clearly explored.
- Exlpain first clearly about shariah capital market, bank and how daes it works for banking qualities. Than describe the COVID situation in line with shariah capital market and Islamic bank.
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Basically, Islamic banking has similarities with conventional banking in facing risks. To deal with risks that can interfere with the smooth running of the business process, Islamic banking has a risk management unit. This unit has the main task of formulating strategies, ensuring business continuity and risk mitigation efforts. In operational activities, Islamic banking is faced with risks that may impact achieving the ultimate goal, such as financial risk. Some of the risks that are categorized as financial risks are market risk, which is a financial risk that is important for Islamic banking, (Ismal 2008). The Covid-19 outbreak is a disaster that cannot be avoided. Since the emergence of Coronavirus (Covid-19) in Wuhan, China, in December 2019, the Covid-19 pandemic, in general, has changed the world where all social life arrangements and business have changed. All aspects of life are affected, and the economy, culture, and education have become paralysed. It is because Coronavirus at the same time is spreading to all countries in the world, including Indonesia. Business and the economy are two sides of the opposite of the outnreak prevention. On the one hand, the epidemic requires government authorities to impose restrictions on social activities. On the other hand, these restrictions impact business activities and stagnate the wheels of the economy. Even though the world of business and digital marketing have triumphed in the past 5 years, the pandemic signals a different reality (Panjaitan et al., 2021). Inevitably, according to statistical data from West Java Province, as many as 58,263 small and medium-scale enterprises (SMEs) throughout West Java were affected by Covid-19 (Rep-Pun., 2020).

In managing liquidity for Islamic banking, both excess and shortage of funds and the existence of an interbank money market is very important as a means of mobilizing funds in liquidity management. (Sulaiman, Ahmad Azam, et al., 2013; Subramanyam and Wild, 2012). For example, excess liquidity in Islamic banking that has not been channeled into financing can be invested in securities on the money market. With the existence of an interbank money market, Islamic banking can take advantage of idle funds through short-term investments in the money market and or vice versa and meet the short-term liquidity needs of the money market. In line with the increasingly rapid development of Islamic banking in the last twelve years, the existence of an interbank money market based on sharia principles (PUAS) is increasingly needed. To accommodate these conditions, Bank of Indonesia has developed an Interbank Money Market Based on Sharia Principles (PUAS) in Indonesia. According to Arifin, Zainul (2009), PUAS is a short-term investment activity in Indonesian rupiah between market participants based on the *mudharabah* principle, namely an agreement between the investor and the fund manager to carry out activities that earn profits, and the profits will be distributed to both parties based on a predetermined ratio. Some of the basic characteristics of PUAS are as a liquidity instrument that functions to facilitate sharia banking that experiences shortages or excess liquidity, has a maximum period of 90 (ninety) days or is a type of short-term investment, and payments can be made with credit notes through clearing or bilyet giro. Bank of Indonesia or electronic fund transfer. One of the operational constraints faced by Islamic banks is their difficulty in controlling their liquidity efficiently. This can be seen in several symptoms, including the unavailability of immediate investment opportunities for the deposited funds received and difficulties in disbursing ongoing investment funds, when there is a withdrawal of funds in a critical situation. In general, Islamic banks experience two kinds of obstacles when compared to conventional banks, namely, lack of access to obtain liquidity funds from the Central Bank, except only in some Islamic countries, and lack of access to the money market, so that Islamic banks can only maintain liquidity in the form of cash.

2. Literature Review *in the part of this section maeby better to describe how pandemic take effect to the economic sector in Indonesia, especially in financial and banking sector.*

1. The exploration of theory not clear
2. Its just set of definition, not a theory
3. Please read some recent article in the similar theme as references

2.1. Bank Management

A bank is a financial service institution that serves third-party fund depository services with the role of the bank as a mediator between people who own the funds and people who need the funds. Bank management must strive to maintain the trust of its customers professionally because managing a bank is not like managing other companies. Banks have main services, namely collecting funds, distributing funds in the form of credit or financing, and remittances, bank guarantees (Pettalongi et al, 2018). Furthermore, Islamic banking must maintain its liquidity as described by Sinungan (1993).

1. Commercial Loan Theory

This theory assumes that banks can only give loans with short-term trade certificates with their disbursement. This theory dominated until 1920 and this theory focuses on the asset side of the balance sheet in meeting liquidity needs.

2. Shiftability Theory

This theory argues that bank liquidity depends on the condition of the bank to transfer its assets to others at predictable prices. In 1920, banks developed the liquidity theory as a reaction to the many weaknesses in the commercial loan theory, namely the doctrine of asset shiftability. According to this theory, banks can immediately meet their liquidity needs by providing shiftable loans or call loans, namely loans that must be repaid with one or several days' notice and guaranteed by securities.

3. Anticipated Income Theory

This theory explains that it is true for a bank to provide long-term loans and loans not for trade. In the 1930s and 1940s, banks developed a new theory called the anticipated income theory. This theory states that banks should be able to provide long-term credit where the repayment, namely the principal installments plus interest, can be expected and scheduled for payment in the future according to a predetermined period.

4. Liability Management Theory

This theory sees the structure of bank assets as having a significant role to play in providing liquidity for banks. This theory also goes beyond a one-dimensional approach and states that banks can also use assets for liquidity purposes.

2.2. Liquidity

According to Wood and Porter (1998), bank liquidity is the ability to meet various mature short-term obligations. The approaches taken in the management of banking liquidity include:

a. New Funds Approach

It means increasing bank liquidity by increasing the capacity of the bank concerned in attracting new funds from the public; for example, by providing a more attractive rate of return and service to customers. Increasing funds by creating new funds will indirectly improve the reputation of the bank concerned.

b. Self Liquidating Asset Approach

It is increasing bank liquidity by increasing the smooth process of repayment of bank funds that have been placed in credit activities, securities, and others at maturity. With the increased smoothness of the repayment process, automatically the turnover for the use of these funds will be faster and bank management will be able to make maximum use of the funds they have.

c. Assets Sale Ability/Assets Shift Ability Approach

This means efforts to increase the ability of banks in marketing their products or other banking services. This approach can also take the form of using assets that are less active or less useful to be transferred to finance urgent liquidity needs.

d. Reserve Discount Window to Central Bank as Lender of Last Resort

Efforts are being made to deal with liquidity difficulties by borrowing liquidity assistance from the central bank.

e. Borrowers Earning, Flow Approach

This refers to an increase in the liquidity of bank income from credit and other sources of income which can increase the existing interest arrears..

2.3. PUAS (Interbank Money Market Based on Sharia Principles**)**

PUAS according to Bank Indonesia Regulation (PBI) No. 9/5/PBI/2007 dated March 30, 2007 concerning Sharia-Based Interbank Money Market (PUAS) is a short-term interbank financial transaction activity based on sharia principles, both in rupiah and foreign currencies. PUAS participants consist of Islamic banks as owners or recipients of funds and conventional banks only as owners of funds. The instrument used in PUAS is an Interbank Mudharabah Investment Certificate (IMA) with a mudharabah contract and the transfer of ownership of the PUAS instrument is only done once. Furthermore, in PBI No. 14/1/PBI/2012 dated January 4, 2012 concerning Amendments to PBI No. 9/5/PBI/2007 concerning the Interbank Money Market Based on Sharia Principles (PUAS) and PBI No. 17/4/PBI/2015 dated 27 April 2015 Regarding the Sharia Principles-Based Interbank Money Market (PUAS) has refined the previous PBI provisions, with the following improvements: 1). PUAS participants consist of Sharia Commercial Banks (BUS), Sharia Business Units (UUS), Conventional Banks and/or Foreign Banks, 2). In conducting transactions at PUAS, PUAS participants can use Brokerage Companies where Brokerage Companies can only make transactions at PUAS for and on behalf of PUAS participants. 3). BUS and UUS can place funds or receive funds, while Conventional Banks and Foreign Banks can only place funds. 4). PUAS participants can submit proposals for PUAS instruments other than those regulated by Bank of Indonesia, in this case, the Interbank Mudharabah Investment Certificate (IMA). Empirically, the implementation of PUAS under the control of Bank of Indonesia during the period between 2009 and 2021 is still not optimal with the general conditions shown in table 1.

Table 1. PUAS and PUAB Ratio to Excess Reserves and Fund Placements

Year	PUAB (Billion)	PUAS (Billion)	ER (Billion)	Placement in BI (Billion)	Ratio PUAS/ER (%)	Ratio PUAS/ Placement in BI (%)	Ratio PUAB/ Placement in BI (%)	Ratio PUAS/PUAB (%)
2009	8,809	45	1,017	10,393	4.42	0.43	84.76	0.51
2010	5,348	526	1,453	16,393	36.20	3.21	32.62	9.84
2011	6,283	50	1,968	27,127	2.54	0.18	23.16	0.79
2012	13,902	728	2,577	26,713	28.25	2.73	52.04	5.24
2013	9,319	750	3,495	31,946	21.46	2.35	29.17	8.05
2014	13,653	200	3,636	43,412	5.50	0.46	31.45	1.47
2015	21,128	530	3,905	41,051	13.57	1.29	51.47	2.51
2016	16,142	960	4,188	50,579	22.92	1.90	31.91	5.95
2017	11,485	800	4,357	64,618	18.36	1.24	17.77	6.97
2018	14,052	1,157	5,143	62,744	22.50	1.84	23.04	8.00
2019	18,510	855	6,375	63,801	13.41	1.34	29.01	4.62
2020	9,484	1,160	5,947	69,211	19.51	1.68	13.70	12.23
2021	4,585	9,776	6,967	60,261	140.31	16.22	7.61	213.22

Source: Data have been processed (Bank of Indonesia and the Financial Services Authority)

2.4. Islamic Banks' Need for Money Market

The main task of bank management, including Islamic banks, is to maximize the welfare of stakeholders by increasing the investment value of shareholders, minimizing risk, and ensuring the availability of sufficient liquidity. In addition, management must simultaneously consider various risks that will affect changes in the level of profit earned.

To ensure that the assets of Islamic banks are not funded at all times, Islamic banks must maintain a high level of liquidity to anticipate withdrawals of funds because Islamic banks are not allowed to withdraw funds from interest-based funding sources. The lack of access for Islamic banks to borrow funds in the Money Market to fund their assets is the main problem they face. If there is a large withdrawal, whatever the reason, be it funds from *wadia* or *mudharabah*, what will happen if: there is no Sharia Inter-Bank Money Market, there is no sharia-based facility from the Central Bank as lender of last resort, Bank Shariah is prohibited from borrowing interest-bearing funds, to replace funds withdrawn by their customers. Without money market facilities, like conventional banks, Islamic banks will also face the same problem, considering that in general, banks find it difficult to avoid mismatched financial positions. To take advantage of temporarily idle funds, banks must be able to make short-term investments in the Money Market, and vice versa to meet the need for funds for short-term liquidity. Due to mismatches, banks must also be able to obtain them in the money market. Because securities in conventional financial markets, except stocks, are based on an interest system, Islamic banking faces a problem because they are not allowed to be part of interest-based assets or liabilities. This problem has a negative impact on liquidity management and long-term investment management. As a result, Islamic banks are forced to concentrate their portfolios only on short-term assets, which are trade-related, and against the needs of investment and economic development. Bank Indonesia and Islamic economic scholars must conduct the purification of sharia principles in the practice of Islamic banking. Therefore, guarantees regarding the sharia compliance of all customer fund management activities by Islamic banks are very important in the business activities of Islamic banks. Furthermore, this condition will ensure for all customers that business activities in sharia banking are well managed through its structure on the quality of sharia banking performance..

2.5. Comparison of Islamic Banking Money Market *Just Focus on discrption of Islamic Bank in Indonesia, and how they solve the problem of financial and banking sector*

The interbank money market based on sharia principles (PUAS) in Indonesia began in 2000 in line with the issuance of Bank Indonesia Regulation (PBI) No. 2/8/PBI/2000 dated February 23, 2000 concerning the Interbank Money Market Based on Sharia Principles (PUAS), further refined by PBI No. 7/26/PBI/2005 dated August 8, 2005, PBI No. 9/5/PBI/2007 dated March 30, 2007, PBI No. 14/1/PBI/2012 dated January 4, 2012 and lastly revised by PBI No. 17/4/PBI/2015 dated April 17, 2015 concerning the Interbank Money Market Based on Sharia Principles (PUAS). The instrument used is the Interbank Mudharabah Investment Certificate (SIMA) as a means to obtain funds with the *mudharabah* principle issued on the basis of DSN Fatwa No.38/DSN-MUI/X/2002. These improvements include providing flexibility for the possibility of developing PUAS instruments to use sharia principles other than *mudharabah* and flexibility in several characteristics of IMA Certificates such as the use of foreign currencies other than rupiah in denominations, a longer period of up to 365 days, and it can be traded as long as it has not expired time.

Table 2. Interbank Mudharabah Investment Certificate (SIMA)

SIMA characteristics	2000	2007
Denomination	Indonesian Rupiah (IDR)	IDR and foreign currency
How to issue	Paper-based	Scriptless
Period	up to 90 days	1 – 365 days
Secondary market	traded in one time	traded to maturity

Source: Data have been processed (Bank of Indonesia)

Islamic banking in Malaysia has existed since 1983, marked by the establishment of Bank Islam Malaysia Bhd. (BIMB) under the Islamic Banking Act (IBA); however, the Malaysian Islamic interbank money market was only formed in January 1994 along with the introduction of the Islamic Interbank Money Market (IIMM). Gan and Kwek (2009) mention that IIMM functions as facilitating funding for Islamic banking (intermediation of short-term funds that provide short-term investment facilities based on sharia principles). Through the IIMM, Islamic banking and sharia business units-conventional banks and other financial institutions participating in the Islamic Banking Scheme (IBS) can adjust funding needs effectively and efficiently.

Table 3. Characteristics of Islamic Money Market Instruments in Malaysia

No.	Type of instrument	Characteristics
1.	*Government Investment Issues* (GII)	• Government securities issued via BNM are based on sharia principles. • Serves as a monetary instrument and can be used by Islamic banking and other financial institutions to meet liquidity needs or to invest excess liquidity. • At the time of issuance using the Bai Al-Inah principle, namely the sale and purchase of assets owned by the Government, between the Government and Islamic banking through BNM. • Period of 2 - 5 years. • Can be traded in the secondary market between Islamic banking and conventional banks using the Bai' ad-Dayn principle (debt buying and selling). • Can be bought back to BNM by Islamic banking/conventional banks.
2.	Bank Negara *Negotiable Notes* (BNNN)	• Issued by BNM as a monetary instrument that absorbs sharia banking liquidity. • Limited auction in the primary market of Islamic banking. • Issued with an asset securitization tenor and using the Bai' Al-Inah principle for 2, 3, 6, 12 months. • Buying and selling can be done on the secondary market on a *Bai-ad-Dayn* basis. • Can be bought back to BNM.

No.	Type of instrument	Characteristics
3.	*Malaysian Islamic Treasury Bills* (MITB)	• Published BNM on the basis of the interests of the Government • Buying and selling on a discounted basis. • Full payment when due. • Term of less than 12 months.
4.	*Islamic Accepted Bills*	• Issued in an effort to intervene in domestic and foreign trade. • Issued in Mudharabah. • A minimum period of 21 days. • Buying and selling is done in the secondary market with *Bay" ad-Dayn* conditions.
5.	Bank Negara *Sukuk Al-Ijarah* (SBNMI)	• Issued by BNM using SPV BNM Sukuk Berhad. SPV buys BNM assets from the proceeds from the sale of Sukuk and then leases the assets. At maturity, BNM buys back the asset from SPV. • Using the Al-Ijarah contract (sale and lease back) with payment of semi-annual fees. • SBNMI can be traded on the secondary market. • Period of 1 to 3 years.
6.	Bank Negara *Monetary Notes Murabahah* (BNMN-*Murabahah*)	• BNM issuer through SPV BNM Sukuk Berhad and conducted by way of auction (competitive auction). • Murabaha contract and can be traded. • The purpose of the issuance is to assist liquidity management in the Islamic financial market.
7.	*Islamic Debt Securities*	• Represents debt securities issued by non-bank corporations for working capital/investment. • Has a tenor of 3 – 20 years. • Can be traded on the secondary market on the *Bay" ad-Dayn* principle.
8.	*Commodity Murabahah Programme*	• It is a program from BNM to develop the Islamic money market to assist the management of sharia banking liquidity • There is a certainty of the level of return (margin). • Underlying assets in the form of Crude Palm Oil

Source: http://iimm.bnm.gov.my

The United Arab Emirates (UAE) also uses a dual banking system. That is, Islamic banking operates simultaneously with conventional banks. In the UAE, Islamic banking operations began in 1985 after the issuance of Federal Law No. 6 of 1985 concerning Islamic Banks, Financial Institutions, and Investment Companies which regulates Islamic banking operations.

Table 4. Characteristics of Islamic Money Market Instruments in the UAE

No.	Type of Instrument	Characteristics
1.	*Murabahah Commodity Contract* (MCC) in foreign exchange (USD)	• Issued by the Commodity Exchange at the request of the bank (through a broker listed on the Commodity Exchange). • Choice of tenor between 1, 3, 6, and 12 months. • The principle of Bai' Al-Murabahah. • Transactions are followed by Islamic banking.
2.	*Sukuk Al-Ijarah* in foreign exchange (USD)	• Issued by the company using the Bai' *Al-ijarah* principle. • The principle of the transaction is *Bai' al inah*. • Tenor options are 3 to 5 years. • Transactions are carried out for brokerage services inthe money market and can be carried out by Islamic banks and conventional banks;
3.	*Mudharabah Interbank Investment* (MII) in AED	• Issued by Islamic banking. • Using the principle of *Al-Mudharabah*. • Short tenor, between 7 days to 90 days. • This transaction can only be carried out by Islamic banking.

2.5. Sharia-Based Money Market Development Strategy

Creation of Islamic Money Market Instruments, securities circulating in conventional financial markets are interest-based securities, so Islamic banking cannot take advantage of the existing money market. Even if there are also shares as a certificate of capital participation based on profit-sharing, an investigation is required to check if the object of the participation is free from activities that are not approved by Islam. In other words, there must be a certainty that the issuer does not carry out trade in goods that are prohibited by sharia, or contain elements of *usury*, *maisir* and *gharar*. Therefore, to create a money market that is beneficial for Islamic banking, it is necessary to create a Sharia-based Money Market instrument. With the active use of sharia-based money market instruments, Islamic banking can carry out its full function, not only in facilitating short-term trade but also in supporting long-term investment. The financial structure of sharia-based development projects will enrich Islamic financial tools and open up greater participation from all market players, including non-Muslims, because the market is open. To provide facilities for investment or fund management based on sharia principles in Indonesia, the first strategy has been realized by Bank of Indonesia, through Bank Indonesia Regulation number 2/8/PBI/2000 dated February 23, 2000 concerning the Interbank Money Market Based on Sharia Principles (PUAS). PUAS participants consist of Islamic banks and conventional banks. Islamic banks can invest and/or manage funds, while conventional banks can only invest. The instrument used in the PUAS is in the form of an Anfarbank Mudharabah Investment Certificate (IMA Certificate). The amount of the return on the IMA Certificate refers to the rate of return on the investment return of the issuing bank following the investment period and the agreed profit sharing ratio.

The operating mechanism of the Sharia Money Market and the mechanism for trading sharia-based securities must remain related to and within the limits of tolerance and the provisions outlined by sharia. Funds that have been raised by Islamic banks in the form of *mudharabah* investment deposits are mostly invested in *murabahah, bai al-salam, istisna', ijarah* transactions, *ijarah bi tamlik* . These assets are then securitized by Special Purpose Companies (SPC) managed by the Bank as the securitization vehicles. If the bank experiences a mismatch, the bank can withdraw funds through the sale of the participation units issued by the SPC. Other banks, including the Central Bank, can also purchase these units for the placement of their funds. SPC can announce the price of the participation units every month, every week, or every day based on the calculation of net asset value so that these investment units have a high level of liquidity.

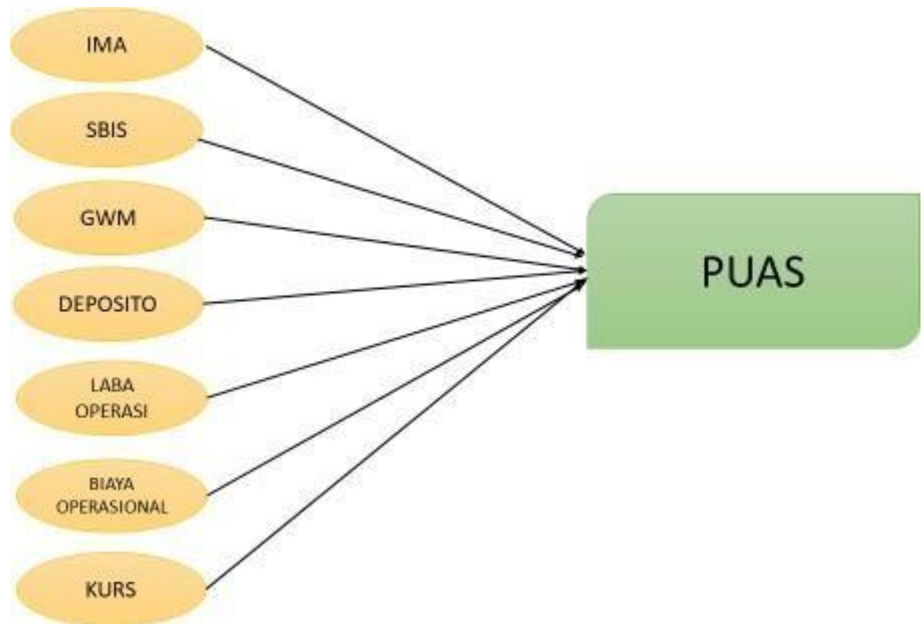
3. Research Methodology

This study uses secondary data from Bank Indonesia and the Financial Services Authority with the types of variables being observed directly without expert opinion, regarding differences in views on variables, dimensions, and indicators (Cooper, Schindler, and Sun; 2006).

4. Results and Discussion

The Islamic Money Market management model in Indonesia that has survived the post-covid-19 pandemic crisis is as follows:

1. The Interbank Mudharabah Investment Certificate (IMA): Interbank Money Market Based on Sharia Principles (PUAS) instrument using a mudharabah contract.
2. Short Term Sharia Based Securities (SBIS): short-term sharia-based securities in the currency of Indonesian Rupiah with the short term period.
3. Account/Statutory Reserve Requirement (GWM): The minimum amount of funds that must be maintained by sharia banking in the balance of the checking account at Bank Indonesia, the amount is determined by Bank Indonesia at a certain percentage of the amount of third party funds collected by sharia banking.
4. Deposits: investment of funds based on a mudharabah contract whose withdrawal can only be made at a certain time based on a contract that has been agreed upon by the customer with sharia banking.
5. Operational Costs: All costs that are borne by Islamic banking related to the collection of public funds and distribution of financing.
6. Profit: The difference between income and expenses, generally reflected in net income after tax. There are two indicators to calculate the level of profit, namely Return on Assets (ROA) and Return on Equity (ROE). In this research, ROA is used because it reflects the best profit ratio and is often used to assess the performance of a company.
7. Exchange rate: Comparison of the value of the currency of Indonesian Rupiah with the currencies of other countries. The focus of this research is the USD/IDR exchange rate.



5. Conclusion

1. Current account reserves require banks either conventional or sharia to place a minimum amount of funds that must be maintained in the form of a checking account balance at Bank of Indonesia. The minimum statutory reserve requirement is determined by Bank of Indonesia at a certain percentage of third-party funds. This current account reserve is an open market operating instrument that is contractionary and aims to support the effectiveness of monetary control. The main priority in the use of bank funds is to meet the needs of primary reserves, namely the minimum current account reserves, in addition to the needs of the smooth day-to-day operations of the bank.

2. The volume of Islamic banking deposits from year to year continues to show an increase in line with the rapid development of Islamic finance in Indonesia. This increase in the volume of deposits shows the increasing public confidence in the performance of Islamic banking in managing liquidity (deposits) based on sharia principles.

3. The increase in operating profit of Islamic banking (ROA) will affect the availability of liquidity which must be maintained and managed properly; in this case the increase in the amount of liquidity being managed. If these conditions occur, Islamic banking can increase the volume of financing through financing expansion to potential debitors, such as the real sector and MSMEs as well as maintaining adequate liquidity. The increase in operating profit will increase the availability of sharia banking liquidity. Besides being able to be used for financing expansion to

potential debtors based on sharia principles, it is also used to increase the availability of liquidity so that the liquidity position will increase.

4. Various efforts made by Islamic banking to reduce operational costs are cost efficiency in all functions of operational activities that are estimated to be vulnerable to increased operational costs and carry out intensive monitoring of the components of these operational costs. Efforts taken by Islamic banking are related to efforts to anticipate the handling of the pandemic, namely by limiting overtime work in the office and implementing the Work from Office (WFO) and Work from House (WFH) work mechanisms intensively so as to save the cost of paying for employee overtime hours and payment for usage of electricity and water during overtime hours in the office. These savings efforts are taken by still paying attention to the service level agreement and governance of the work procedures set by the management of Islamic banking to continue to provide excellent and optimal service to customers.

5. In general, several factors causing the USD-IDR exchange rate to strengthen or weaken include the demand for USD for the payment of foreign debts for both the government and the private sector and spending on imported goods for domestic needs. This condition can have an impact on Islamic banking regarding the availability of liquidity, especially to meet the USD demand.

6. Islamic banking financing will be provided to several sectors, particularly the real sector and the micro, small, and medium-scale entreprises sector. However, this must also be followed by improving the quality and planning of financing, because an increase in financing does not automatically increase a bank's profit if Islamic banking does not have a good ability to manage and plan financing distribution optimally. A high volume of financing, if followed by poor management, will have an impact on increasing NPF and decreasing profits for Islamic banking.

7. Islamic banking during the COVID-19 pandemic showed a significant change in the behaviour of fund placements with an increase in the volume of PUAS and Islamic banking Excess Reserve (ER) at Bank of Indonesia in terms of cash in 2021 which resulted in an increase in the PUAS to ER ratio at Bank of Indonesia.

8. The effectively strategic can be implemented to make sure sustainability operational in Islamic banking, such as to enhance of quality from the money market Islamic performance for helping Islamic banking that face to deficit liquidity.

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