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ANALYSIS OF LIQUIDITY IN PT. BANK PEMBANGUNAN DAERAH JAWA BARAT DAN BANTEN, TBK. USING THE CASH RASIO METHOD

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ABSTRACT

In checking the health of a bank, each bank must pay attention to the level of liquidity. Liquidity is the ability of an organization to pay its short-term debt quickly. This cash ratio shows the bank's ability to repay depositors or client savings when withdrawn with its liquid assets. To determine a business's ability to meet its current debt obligations, calculations using the debt ratio are very important. The aim of this research is to determine the level of liquidity of PT. Regional Development of West Java and Banten, Tbk. using the money ratio method from 2019 to 2021. This research uses a quantitative descriptive approach. In 2019, 2020 and 2021 the liquidity value of PT. Regional Development of West Java and Banten, Tbk exceeded 4.05% (based on the predicate health ratio indicator by the Board of Directors of Bank Indonesia) so that there are no obstacles to fulfilling its current obligations.

Keywords: cash ratio, liquidity, banking

INTRODUCTION

The word "bank" comes from the Italian "banco" which means bench, where bankers serve customers. Banks are financial services companies that collect funds from the public and distribute them back. In developed countries such as Europe, America and Japan, banks have become the main partners in various financial transactions. Banking has an important role in economic growth, increasing people's income, and overcoming economic downturns.

Banking provides opportunities for the community to participate in building a better economy by collecting funds through businesses run by banks such as current accounts, savings, deposits, so these three components are called money circulation and will be distributed back to the community in the form of loans. in accordance with the basic functions of banks as stated in Undang-Undang No. 10 of 1998. Banks are also an industry whose business activities rely on public trust. Some banks attempt to maintain their home currency rates within the bank (Utami & Hsu, 2019).

In carrying out its functions, it is important for banks to maintain the level of public trust. People hope that funds stored in banks will be safe. For this reason, banks must maintain their level of health because a healthy bank is a bank that can maintain and maintain public trust, can help smooth payment traffic and can be used by the government in implementing its various policies, especially monetary policy.

The liquidity concept is a universal notion because it applies to all the asset classes (Tripathi & Dixit, 2020). An effective liwuidity management would give positive effect on bank performances (Olagunju, David & Samuel (2012); Bassey (2017); and Wuave et al. (2020)). The liquidity of a bank plays a crucial role in its overall financial stability and ability to meet its short-term obligations. It is important for banks to assess their liquidity position in order to effectively manage risks and maintain a healthy financial condition. liquidity level affects to determine the profitability level of company (Saleem and Rehman, 2011). In general, liquidity refers to a company's ability to fulfill its financial obligations in a timely manner.

A company's liquidity is a measure of its ability to meet short-term obligations. An asset is deemed liquid if it can be readily converted into cash. The ideal degree of liquidity for the companies is not determined by any formal or conventional criterion, it is depending on the firms' balance sheet circumstances (Owolabi & Obida, 2012). On the other hand, it will be problematic for businesses with minimal current assets to continue operating. Rather than having low balances, businesses that have far more liquid assets than they need on a daily basis suffer greatly in terms of profitability (Van Horne & Wachowicz, 2000).

Liquidity ratios, such as the current ratio and quick ratio, are commonly used to analyze a bank's liquidity position. These ratios provide insights into the bank's ability to cover its short-term liabilities using its liquid assets. In this study, we will focus on analyzing the liquidity of banks using the cash ratio method. The cash ratio is a liquidity ratio that specifically looks at a bank's ability to pay immediate creditor demands using its most liquid assets, excluding inventory and prepaid items.

The cash ratio provides a snapshot of a bank's ability to repay its current obligations with readily available cash. So, the cash ratio value obtained is linked to the bank's health value. As a public trust, banks must be able to manage liquidity well, especially to minimize liquidity risks caused by shortages. In managing liquidity there will always be a difference in interests between decisions to maintain liquidity and increase income.

By conducting an analysis of liquidity using the cash ratio method, we aim to assess the financial stability and risk management capabilities of banks. Ratio analysis is carried out to assess the financial condition of an organization (Utami & Adih, 2021). This analysis can help stakeholders make informed decisions regarding investments, loans, and overall financial health. Liquidity is crucial for the smooth functioning of the banking industry as it ensures that banks have sufficient funds to meet deposit withdrawals and other immediate obligations. Additionally, a strong liquidity position is important for maintaining customer trust and confidence in the bank's ability to fulfill its financial obligations.

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Banks are always careful in maintaining relatively greater liquidity than necessary with the aim of avoiding liquidity difficulties, but on the other hand banks are also faced with large costs related to maintaining excess liquidity tools, through good liquidity management banks can be confident in their depositors that they can withdraw their funds at any time when they are due, that is why liquidity analysis is very important and banks must be able to maintain their liquidity.

As a fund-raising business entity, PT. West Java and Banten Regional Development

Bank, Tbk. The Rau Sub-Branch Office must pay attention to checking the health of the bank, especially the level of liquidity. According to Fahmi in Uli, Ichwanudin & Suryani (2020) that liquidity is the ability of a company to pay short-term debt in a timely manner. Liquidity is very influential in showing the ability to fulfill obligations that are due and considering the inability to meet short-term debt. Analyzing bank liquidity using the cash ratio method allows for a more accurate assessment of a bank's ability to handle short-term financial pressures. This study will contribute to the existing body of knowledge on bank liquidity and provide valuable insights for policymakers, regulators, and banking institutions. In conclusion, the analysis of liquidity in the banking sector using the cash ratio method is essential for assessing a bank's financial stability and risk management capabilities. It provides a comprehensive understanding of a bank's ability to meet short-term obligations and manage financial pressures.

METHOD

The method taken in this research is to use a quantitative descriptive method, namely a method that analyzes and describes financial report data to determine the category of good liquidity level. This research focuses on determining the level of liquidity at PT. West Java and Banten Regional Development Bank, Tbk. in the 2019-2021 period based on using the Cash Ratio method. In carrying out this analysis, the level of liquidity will be compared for three years starting from 2019, 2020, to 2021 to find out whether the company is able to pay its current debts using the Cash Ratio method. Where to find out the good level of liquidity in a company, use the Cash Ratio calculation method, assisted by financial reports as the main data in the calculation. It is hoped that the existence of financial report data will make it easier to carry out Liquidity Level Analysis.

The research method used in this research is a quantitative method for liquidity factors, including through an assessment of the cash ratio component. This ratio is used to measure a bank's ability to repay customer or depositor savings when withdrawn using the liquid assets it owns (Badria & Marlius, 2019). The classification of the predicate value of the ratio of liquid assets to current debt is based on a formula that can be used to find the cash ratio as follows:

$$\textbf{Cash Ratio} = \frac{\text{Cash and Cash Equivalents}}{\text{Current liabilities}} \times \mathbf{100\ \%} \quad \ldots..(1)$$

Classification of the predicate health value of the ratio of liquid instruments to current debt based on Bank Indonesia Nomor 30/12/KEP/DIR date 30 April 1997 is:

Healthy : 4,05% and above,
Quite healthy : 3,30%-4,05%,
Unwell : 2,55% -3,30%,
Not healthy : 0% -2,55%.

RESULTS AND DISCUSSION

To address data restrictions in certain markets, to offer proxies from daily data, and to evaluate institutional trading systems, specialized measures of liquidity have been devised (Holden & Subrahmanyam, 2014). One may say that the company's core is its management of liquidity. In the event that the company's liquidity level is not maintained, management will be unable to forecast their future (Madushanka & Jathurika, 2018).

There are some studies about the cause of liquidity in banks. The factors are macro factors, GDP, profitability, domestic credit, private and public sector credits, and loan (Shah, etc (2018), and Ahamed (2021)).

Analysis of liquidity levels is carried out using one method, namely the Cash Ratio method. Liquidity calculation using the Cash Ratio method is to determine the liquidity value of PT. West Java and Banten Regional Development Bank, Tbk. The results of liquidity calculations using the cash ratio based on the Financial Position Report for the period from 2019, 2020 to 2021 are listed as follows:

1. Period in 2019

$$\textit{Cash Ratio} = \frac{\text{Cash and Cash Equivalents}}{\text{Current Liabilities}} \times 100\ \%$$

$$\textit{Cash Ratio 2019} = \frac{10.208.380}{95.446.517} \times 100\ \% = 10.6\%$$

Based on the results of the Cash Ratio calculation above, it can be explained as follows: The cash ratio in 2019 was 10.6%, meaning the bank was able to fulfill its current debt obligations. This shows that in 2019 the bank's cash ratio was said to be healthy because it was greater than 4.05% (based on the predicate value indicator for the health of the ratio by the Directors of Bank Indonesia).Period in 2020

2. Period in 2020

The cash ratio in 2020 was 10.7%, meaning the bank was able to meet its current debt obligations. This shows that in 2020 the bank's cash ratio is said to be healthy because it is greater than 4.05% (based on the predicate value indicator for the health of the ratio by the Board of Directors of Bank Indonesia).Periode pada tahun 2021

3. Period in 2021

The cash ratio in 2021 is 13.9%, meaning the bank is able to meet its current debt obligations. This shows that in 2021 the bank's cash ratio is said to be healthy because it is greater than 4.05% (based on the predicate value indicator for the health of the ratio by the Directors of Bank Indonesia).

Table 1. *Cash Ratio* Calculation Results

Year	Cash and Cash Equivalents	Current Liabilites	Ratio
2019	10.208.380	95.446.517	10.6 %
2020	12.161.989	117.316.111	10.7 %
2021	18.339.013	131.311.943	13.9 %

Source: PT.Bank Pembangunan Daerah Jawa Barat dan Banten, Tbk.

Based on Table 4.1 above, the results of the cash ratio calculation in the 2019 period were 10.6%. This shows that in 2019 the bank's cash ratio was said to have

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exceeded 4.05% (based on the predicate value indicator for the health of the ratio by the Directors of Bank Indonesia), in the 2020 period it was 10.7 % This shows that in 2020 the bank's cash ratio is said to have exceeded 4.05% (based on the predicate health ratio indicator by the Board of Directors of Bank Indonesia), and in the 2021 period it will be 13.9% because the Bank has exceeded 4.05% (based on the predicate health ratio indicator by the Directors of Bank Indonesia).

In the 2019 to 2021 period, it shows that the level of liquidity at PT. The West Java and Banten Regional Development Bank, Tbk is in a healthy position, because it is above the standards determined by Bank Indonesia. This shows that the bank is able to pay back its customer's deposits if the customer makes a withdrawal from the money stored in the bank.

CONCLUSION

Based on the results of calculations on Liquidity Levels for the period 2019 to 2021 using the Cash Ratio method at PT. West Java and Banten Regional Development Bank, Tbk. is in a healthy position, because it is above the standards determined by BI. 4.05% (based on the health ratio predicate value indicator by the Board of Directors of Bank Indonesia) so that there are no obstacles in fulfilling its current debt obligations. This shows that the bank is able to pay back its customer's deposits if the customer makes a withdrawal from the money stored in the bank. This study contributes valuable insights for policymakers, regulators, and banking institutions regarding liquidity assessment and risk management capabilities within the banking sector. In addition to the cash ratio, other liquidity ratios such as current ratio and quick ratio are also commonly used in financial analysis and can be used for the next researchers.

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