SUMMARY

NIA SAIDAH. The Determinant of Core Depositors: A Comparison between Islamic and Conventional Banks. Supervised by NOER AZAM ACHSANI and RIFKI ISMAL.

Islamic banking grows promisingly in line an increase public confidence in Islamic business and economy. Even though there is an increase in terms of assets, financing and deposits, there has been a slowdown in business growth in the last five years, due to *(i)* the high cost of funds, *(ii)* low public understanding and awareness so that Islamic bank depositors are only dominated by certain group or categories commonly called core depositors, *(iii)* the behaviors of core depositors which: *(a)* tend to carry out displaced commercial risk, *(b)* may withdraw funds or disbursement of deposits at any time, *(c)* have two or more accounts (conventional and Islamic banks) in order to transfer funds among banks. In fact, financial crisis, inflation and economic growth are believed influencing such depositors behaviors in placing their funds in banks.

In addition, the problem of core depositors behaviors could also cause liquidity imbalance in banks which is dominated by short-term funding with longer term financing tenors. These conditions must be the focus of banks to mitigate liquidity risks in order to increase profitability and business performance.

This study aims to compare the sensitivity of core depositors in both Islamic and conventional banks, by: *(1)* analyzing factors affecting the sensitivity of core depositors of both Islamic and conventional banks, *(2)* identifying effects of core depositors to the liquidity risk management of both Islamic and conventional banks, *(3)* improving strategies in increasing bank liquidity to be an early warning indicator to predict liquidity pressures coming from less sensitive core depositors. The method used is a dynamic model called Autoregressive Distributed Lag (ARDL) model by using secondary data (time series from 2013-2018).

The results showed that core depositors of Islamic banks were more sensitive to the performance of Capital Adequacy Ratio (CAR) with a significant positive effect of 6.04%. Meanwhile, macroeconomic factors namely Repo Rate (RRA) and Foreign Exchange (FEX) were responded negatively with significant negative effects of 50.46% and 0.1% by core depositors. In contrast with Islamic bank core depositors of behaviors, core depositors of the conventional banks were more sensitive to Loan to Deposit Ratio (LDR) indicating the bank's performance with a significant negative effect of 11.82%, and responded positively with Repo Rate (RRA) representing macroeconomic indicators with a positive effect of 78.45%.

Causality Granger test result which identifies the effect of core depositors to liquidity risk through the Financial to Deposit Ratio (FDR), showed no causality correlation between FDR to core depositors in Islamic banks. However, different conditions were found in the conventional bank one in which causal relationship between Loan to Deposit Ratio (LDR) to core depositors did exist and vice versa. This fact is influenced by the stable number of core depositors, while the number of loans increases with the Loan to Deposit Ratio (LDR) average more than 90%.

Keywords: islamic bank, core depositors, macroeconomics, liquidity risk