

ABSTRACT

Purpose

This study is performed based on the research question which is to determine the factors behind liquidity of Indonesian banking industry after 2008 global financial crisis. The general purpose of this research is to analyze the factors behind liquidity of Indonesian banking industry after the global financial crisis in 2008. The specific purposes of the research are to determine and test the impacts of debt, dividend payouts, and financial performance on Indonesian banks' liquidity after the global financial crisis.

Methodology

This research uses hypothetical deductive methodology, which means that this research has gone through a comprehensive literature review to be able to validate the hypotheses of a research. The data is taken from the total of 20 publicly listed Indonesian banking companies, in period of 4 years from 2011 to 2014, taken from various official sources such as: Indonesia Stock Exchange, Osiris database of Bureau Van Dijk, Bloomberg Terminal, and BNI46 Financial Market Update. After the data was gathered, the data was analyzed using EViews 07. The research hypotheses were tested using Multi Linear Regression Analysis model.

Findings

This research found that three of the independent variables, that are debt, dividend payouts, and financial performance that affect liquidity in firms developed countries, do not have significant influence toward the liquidity in Indonesian banking companies.

Research Limitations



The findings are only limited to banking companies in Indonesia from period of 2011 to 2014 and cannot be generalized to other countries or other periods.

Practical Implications

With the findings, stockholders are informed that the variables affecting liquidity in previous researches in other industries and in developed countries are proven that they are not affecting companies' liquidity in Indonesian banking industry. It is useful to prevent stockholders reinvent the wheel in this kind of research or belief, and they are informed to discover other potential variables that may control liquidity more effectively, considering how crucial liquidity is for companies' healthy financial condition.

Originality/Value

Previous researches that studied about liquidity were mostly analyzing firms in general, or in other words, in all industries. While in this research, the author intended to specifically study the banking industry. Furthermore, most previous researches are done in developed countries while this research focused in Indonesia which is a developing market. On top of that, previous researches were barely done to specifically see the effect after a global financial crisis. There is still a few researches that have been done in analyzing the liquidity of banking industry in emerging market environments.

Keywords

Agency theory, liquidity, debt, dividend, return on asset, banking industry, Indonesia, global financial crisis.