

# Liquidity Creation by Islamic and Conventional Banks during Covid-19 Pandemic

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## ABSTRACT

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The Covid-19 pandemic has affected many aspects beyond the health sector. The pandemic has also changed the economy in various ways. For example, a decline in economic growth in various countries is predicted to trigger a global crisis. Social distancing and partial lock-down policies also significantly suppress economic activity and domestic consumption, resulting in economic contraction. In addition, partial lock-down policies, social distancing policies, and uncertainty regarding the future economic conditions have increased the risk of vulnerability in the banking industry, particularly in terms of lending and liquidity creation in the banking sector. The Indonesian government provides several incentives such as assistance with a social safety net and economic incentives to increase public consumption and government spending. Thus, it is hoped that there will be money movement and additional funding and lending activities in the banking system and reinforce liquidity creation.

**Keywords:** Liquidity Creation, Islamic Bank, Conventional Bank, Covid-19 Pandemic