

GEOPOLITICAL RISKS AND ECONOMIC POLICY UNCERTAINTIES AFFECTING SHARIA LIQUIDITY INSTRUMENTS: INDONESIAN SHARIA BANK CERTIFICATES (SBIS)

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Abstract. Instability in the financial sector, including Islamic banking, is often associated with global economic uncertainty due to Geopolitical Risk (GPR) and Economic Policy Uncertainty (EPU). With the Bank Indonesia Sharia Certificate (SBIS) as an intervening variable, this study examines the effect of GPR and EPU on the stability of Islamic Commercial Banks in Indonesia. The monthly financial reports of Islamic Commercial Banks registered with the Financial Services Authority (OJK) during the 2019-2023 period are the secondary data sources used for the quantitative method with panel data regression. In this study, Eviews 12 was used, along with the Path Analysis Test. The results of the study indicate that GPR and EPU do not have a significant effect on the stability of Islamic Commercial Banks, either directly or through SBIS. This conclusion suggests that other variables outside of GPR and EPU may also affect the stability of Islamic Commercial Banks. This study used Eviews 12, along with Path Analysis Test. This study found that, both directly and through SBIS, GPR and EPU do not have a significant effect on the stability of Islamic commercial banks. The results indicate that other components outside of GPR and EPU may play a greater role in determining the stability of Islamic banks. As a result, although SBIS is still a monetary tool, further research should be conducted to determine how well it can reduce the effects of economic uncertainty on Islamic banking. This research provides regulators and policymakers with insights to consider other components that contribute to the stability of the Islamic banking sector in Indonesia.

Keywords: Geopolitical Risk, Economic Policy Uncertainty, Bank Indonesia Sharia Certificate, Bank Stability

1. Introduction

Conflict in the Middle East, monetary and fiscal uncertainty in developed countries such as the US and Europe, and changes in international relations affecting capital flows are some examples of increasingly intense global geopolitical turmoil. In addition, authorities in Indonesia acknowledge that the stability of the national financial system is challenged by increased risks of global economic uncertainty and geopolitical turmoil (SPB SSK Nasional Tetap Terjaga Di Tengah Meningkatnya Risiko Ketidakpastian Ekonomi Global Dan Gejolak Geopolitik, 2024.). This pressure can cause local currencies to weaken and increase domestic financial volatility, leading to capital outflows from developing countries to safe-haven assets. Islamic banks play an important role in the inclusion and stability of the Islamic financial sector and are an important component of Indonesia's financial system.

However, in their operations, Islamic banks also face external pressures; for example, if global turmoil increases funding costs or changes investor preferences, Islamic banks may face liquidity, reputation, and asset stability risks. By using SBIS, Islamic banks can place their funds in Bank Indonesia in accordance with Islamic principles. The amount of SBIS allocated to Sharia Business Units at Bank Indonesia was recorded at IDR 12,844 billion in January 2024, according to OJK Sharia Banking Statistics (STATISTIK PERBANKAN SYARIAH - JAN 2024, n.d.). These fluctuations are important because the value of SBIS shows how Islamic banks manage liquidity and external risks. In the context of monetary policy, global risks, and geopolitical uncertainty, SBIS can be considered a "buffer" or a source of pressure.

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Economic policy uncertainty and geopolitical risks (EPU) can put pressure on bank funding, affect capital flows, and cause financial asset volatility. Such pressures can cause liquidity problems (e.g., if banks withdraw SBIS to other instruments) or funding risks (e.g., if depositors withdraw or banks seek other instruments). Fatoni (2022) found that the stability of Islamic banking in Indonesia is greatly influenced by economic uncertainty. The stability of Islamic banks directly (such as liquidity and solvency), rather than capital markets (Islamic stocks), is still the subject of much research (Jazmiyanti et al., n.d.); (Bilgin et al., 2021); (Fiorillo et al., 2024).

This empirical study shows that an increase in the geopolitical risk index is associated with a decline in bank stability (such as an increase in NPLs or a decline in capital adequacy). This effect differs for each group of banks (large and small banks). Researchers have not found a geopolitical impact on conventional banking stability (Phan et al., 2022; Fatoni, 2022). Danışman, G.O. (2024) investigated the relationship between EPU and bank stability measures and found that the influence of EPU on bank stability depends on the size, capital, and liquidity of the bank. Cross-country (BRICS) studies examine the direct relationship between geopolitical risk and banking stability and test the role of EPU as a cause of EPU's negative impact. The results show that liquidity and capital mitigate the negative impact of EPU. If you find evidence that EPU amplifies or mitigates the geopolitical impact depending on the country or context, Olalere, O.E. (2024).

Medium-term empirical research (e.g., from 2019 to 2023) investigates how changes in SBIS respond to global economic policy shocks and geopolitical risks, which then affect the stability of Islamic commercial banks (BUS). By looking at the role of SBIS as an intervention variable, this study can provide new insights into how Islamic liquidity instruments mitigate the impact of geopolitical risks and policy uncertainty on BUS.

2. Research Model

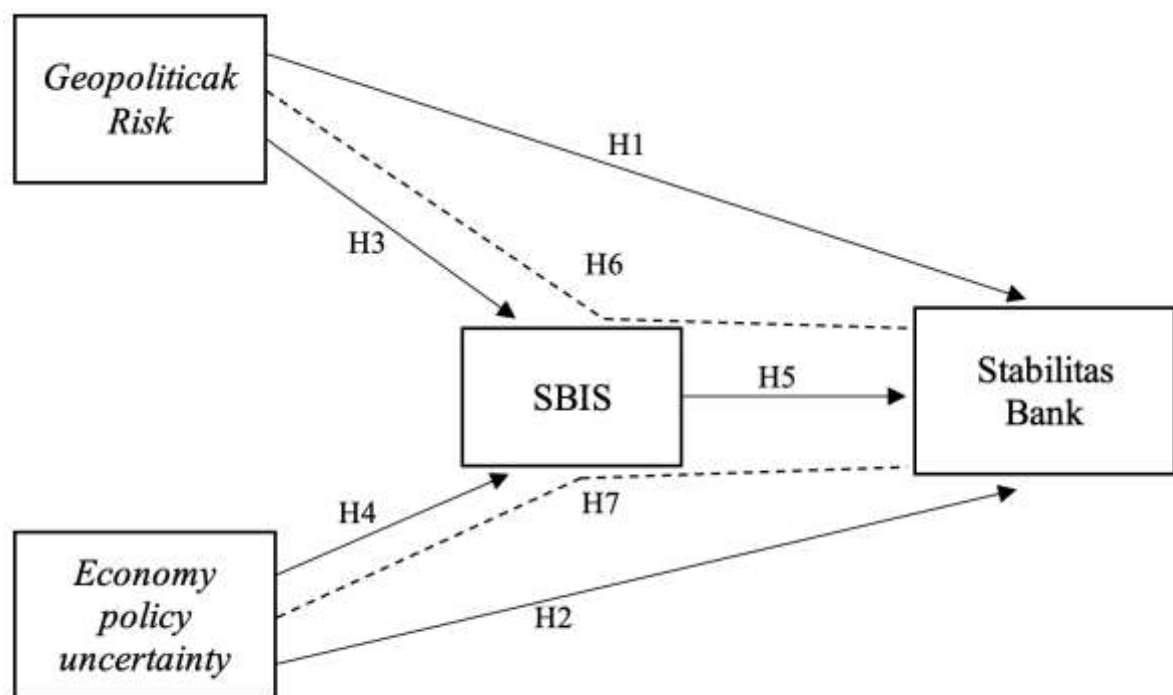


Figure 1 Research Models
Source: Author' own work

3. Theory, Literature Review, and Hypothesis Development

3.1 The Impact of Geopolitical Risk on the Stability of Islamic Commercial Banks

One of the risks caused by military conflicts, wars, epidemics, or economic crises is geopolitical risk. This risk increases the level of uncertainty underlying market participants' considerations because it has a major impact on economic conditions. Banks are institutions that are directly related to stakeholders, so they must maintain stable performance to maintain a good public perception. Achieving stability amid uncertain economic conditions will

reflect a positive subjective view from economic actors. Banks experience a decline in capital inflows as a result of increased risk caused by geopolitical pressures, which in turn leads to a decline in credit demand, resulting in a decline in their performance (Olalere et al., 2023).

A study conducted by (Olalere et al., 2023) found a relationship between geopolitics and stability, and found that an increase in GPR tends to have a negative impact on bank stability through negative reactions from investors or households, which encourages them to switch to safer assets and possibly delay their decisions to invest or purchase goods. In the same study (Banna et al., 2023), which investigated the relationship between changes in geopolitical risk and bank stability, it was found that GPR causes uncertainty, which reduces bank stability in terms of capital decline and profitability fluctuations. Thus, the research hypothesis is:

H1: Geopolitical Risk Has a Negative Effect on Bank Stability.

3.2 The Effect of Economic Policy Uncertainty on the Stability of Islamic Commercial Banks

Economic policy uncertainty occurs when policymakers face difficulties in predicting economic policies and considering the impact of those policies. This can cause a significant decline in bank stability by increasing the risks that banks must face because the established policy and regulatory frameworks are uncertain. Nguyen (2021) conducted a study showing that high policy uncertainty can threaten bank stability and that policy uncertainty has a significant negative impact on banking stability. The same research was also conducted by Danisman et al. (2022), who found that EPU results have a significant negative impact on bank stability, while research conducted by Duan et al. (2023). Thus, it can be concluded that EPU has a negative effect on bank stability. The higher the risk faced by banks, the more they are encouraged to take higher risks amid a worsening economy and insufficient returns on capital, assets, and liquidity. This shows the effect of EPU on bank stability, leading to the following hypothesis:

H2: Economic Policy Uncertainty Has a Negative Effect on Bank Stability.

3.3 The Effect of Bank Indonesia Sharia Certificates (SBIS) on the Stability of Sharia Commercial Banks

The sharia financial sector faces challenges in maintaining its stability amid global uncertainty caused by regulatory changes, geopolitics, economic uncertainty, and unexpected crises. Banks are in dire need of monetary instruments that can help liquidity management remain efficient and profitable. Liquidity management is very important for banks. Monetary policy is used to maintain the stability of the financial industry. Changes in monetary policy affect the internal and external balance of the economy. Monetary policy is an alternative for unpredictable situations and conditions. The Indonesian Sharia Bank Certificate (SBIS) issued by Bank Indonesia as a sharia monetary instrument can help banks maintain liquidity and improve their performance efficiency. When uncertainty increases, banks tend to reduce lending and prefer to place their funds in SBIS for liquidity placement due to the high risk of lending. and when uncertainty increases, consumers also prefer to withdraw their funds from banks, which means that banks must maintain their liquidity. Banks can help meet their obligations to customers who withdraw their deposits by placing their funds in Sharia Bank Indonesia Certificates (SBIS). This will prevent banks from being unable to meet their obligations. According to Jazmiyanti et al. (2024) and Rahmat et al. (2023), placing SBIS at Bank Indonesia can improve the performance of bank liquidity management. However, the FDR may be lower, but this can help banks in terms of liquidity availability in situations of global uncertainty.

H3: Sharia Bank Indonesia Certificates (SBIS) Have a Positive Effect on Bank Stability.

3.4 The Impact of Geopolitical Risk on Bank Indonesia Sharia Certificates (SBIS)

Economic uncertainty caused by fluctuating geopolitical risks disrupts the economy as a whole. From the perspective of bank customers, geopolitics can cause domestic companies' investment projects to be canceled or postponed, which can reduce customer confidence and reduce the need for investments financed through bank loans. As financing decreases, banks experience difficulties in meeting their obligations to customers because their profits decrease. This causes liquidity problems. Economic uncertainty causes investors to withdraw funds simultaneously, which can disrupt the stability of banks.

To address these uncertain conditions, optimization in liquidity management is necessary. In facing this uncertainty, Bank Indonesia, as the monetary policy authority, issued Sharia Bank Indonesia Certificates (SBIS), which can be used by Islamic banks to manage liquidity. SBIS can also help maintain the stability of the rupiah exchange rate, inflation, and macroeconomic stability as a result of geopolitical factors (Mustamin et al., 2025).

In addition, research conducted by (Rahmat et al., 2023) found that SBIS is a very disruptive component of Islamic banking in monetary instruments because it is widely used by Islamic banks to place their liquidity access

and is relatively safe. It can be concluded that geopolitical risks can negatively affect banks, causing an increase in SBIS spending, which in turn results in an increase in the level of damage.

H4: Geopolitical Risk Has a Positive Effect on Islamic Bank Indonesia Certificates.

3.5 The Impact of Economic Policy Uncertainty on Bank Indonesia Sharia Certificates (SBIS)

Economic uncertainty caused by geopolitical events can have a negative impact on business performance. In situations where the economic future is unpredictable, uncertainty leads to unpredictable policy changes. Because unexpected shocks can give rise to other risks, some view economic policy uncertainty as a significant threat to business growth prospects. As economic policy uncertainty has a negative impact on banking stability, capital strengthening and adequate liquidity reserves are tightened to improve banks' risk absorption capacity. Banks with sufficient assets tend to be less affected by economic policy uncertainty. According to research (Nguyen, 2021), the government must tighten regulations on banking activities so that portfolio assets do not move to other companies.

One alternative for banks in responding to an economic crisis is to make decisions about monetary policy. Increased economic policy uncertainty causes a substantial decline in banking performance. This economic policy uncertainty affects bank liquidity through a decline in credit, an increase in non-performing loans, and an increase in default risk. As a result, bank liquidity is very important, and liquidity problems will make it difficult for banks to achieve stability. SBIS can help reduce the risks borne by banks by implementing monetary policy. SBIS functions as a liquidity absorber when banks have excess liquidity and injects liquidity when banks lack liquidity due to an economic crisis.

A study conducted by (Diantasari et al., 2024) found that the monetary policy implemented by Bank Indonesia greatly affects the banking sector and benefits economic growth, which can increase bank stability. This is due to the high level of uncertainty in which banks in Indonesia will conduct monetary operations such as SBIS to anticipate serious liquidity problems.

H5: Economic Policy Uncertainty Has a Positive Effect on Bank Indonesia Sharia Certificates (SBIS).

3.6 The Effect of Geopolitical Risk on the Stability of Islamic Commercial Banks with Bank Indonesia Sharia Certificates (SBIS) as an Intervening Variable

Research by Olalere & Mukuddem-Petersen (2023) found that geopolitical risk has a negative effect on bank stability; the study found that an increase in geopolitical risk can lead to a decline in bank stability through a decrease in capital flows, lending, investment, increased risk, and a decline in customer confidence in bank performance. Therefore, policymakers must take action to implement policies that tend to help reduce these negative effects. These negative effects can disrupt banking performance, reduce bank stability, and cause a decline in bank liquidity and assets.

Islamic banks typically use the Indonesian Islamic Bank Certificate (SBIS) monetary instrument to manage liquidity when banks face economic uncertainty and need to release more liquidity to meet their obligations, including their assets. If banks have excess liquidity, they place their funds in SBIS, and if they lack liquidity, they will resell SBIS. This makes it more difficult for Islamic banks to overcome both short-term and long-term risks. According to financial intermediation theory, bank stability can be maintained if the intermediation function of banks runs well. Therefore, when geopolitical risks increase, banks tend to increase their holdings of SBIS assets as safe and liquid assets.

H6: Geopolitical risk has a positive effect on the stability of Islamic commercial banks with Bank Indonesia Sharia Certificates as an intervening variable.

3.7 The Influence of Economic Policy Uncertainty on the Stability of Islamic Commercial Banks with Islamic Bank Indonesia Certificates (SBIS) as an Intervening Variable

Economic policy uncertainty caused by global uncertainty leads to a decline in stability thru consumer perception, decreased investment, increased credit risk, and exchange rate fluctuations. As uncertainty increases, allowing investors to withdraw their funds, which affects bank liquidity. These things pose a challenge for banks in maintaining their stability. From the risks that arise, Bank Indonesia uses SBIS as an open market operation. By purchasing SBIS from Islamic banks, BI can inject liquidity into the market. This action helps banks meet their liquidity needs and prevent potential liquidity crises. A clear signal from BI regarding its readiness to use SBIS as a stabilization instrument can increase market confidence and reduce panic caused by uncertainty. In maintaining liquidity, SBIS helps Islamic banks continue to perform their intermediation function, which aligns with Financial Intermediation Theory. This means that SBIS helps keep economic activity running and prevents broader negative impacts. This indicates that economic policy uncertainty does not directly affect bank stability,

but rather thru SBIS. This means that when economic policy uncertainty increases, banks tend to increase their holdings of SBIS as a safe and liquid asset, and this increase contributes to bank stability.

H7: Economic Policy Uncertainty Positively Influences Bank Stability with Sharia Bank Indonesia Certificate (SBIS) as an Intervening Variable

4. Research Methods

This study uses a quantitative approach with secondary data obtained from the financial statements of each Islamic Commercial Bank listed with the Financial Services Authority (OJK) for the fiscal years 2019-2023. Both www.ojk.go.id and www.bi.go.id have accessible information sources. The type of data used is panel data, which is a combination of time series and cross-sectional components. The purpose of this study is to measure the hypothesis and test it using statistical tests. Panel data regression analysis is used in this study. Using purposive sampling techniques and non-probability sampling methods, the sample size for this study is 420 observations. Cross-section: 7 Islamic Commercial Banks, and time series: 2019-2023 with monthly financial statements

Table 1 Operational Definitions.

No.	Variables	Definition	Indicators
1.	Z-Score Stability	Stability is the overall condition of a bank, encompassing its financial health, optimization of intermediary functions, and its ability to withstand economic shocks.. www.bi.go.id .	Calculation of the modified Altman Z-Score: $Z = 6.56X_1 + 3.26X_2 + 6.72X_3 + 1.05X_4$
2.	Geopolitical Risk	The GPR index is the result of archiving 10 newspaper articles. This index is calculated using the number of articles related to adverse geopolitical events in each newspaper for each month. www.matteoiacoviello.com (Sumarjo et al., 2022)	The overall GPR index measures overall geopolitical risk based on news, real-world events (military conflicts, terrorism, etc.), and geopolitical threats.
3.	Economy Policy Uncertainty	The condition of uncertainty refers to economic policies that can affect investment decisions, spending, and market behavior. To measure Economic Policy Uncertainty, the EPU index is calculated from the number of articles in digital newspapers about economic policy uncertainty. EPU data is obtained from www.policyuncertainty.com (Baker et al., 2016)	Measured using the weighted average of each country's GDP to gage overall policy uncertainty.
4.	Islamic Monetary Instruments (SBIS)	Bank Indonesia Sharia Certificates (SBIS) are short-term rupiah-denominated securities based on sharia principles issued by Bank Indonesia.. www.bi.go.id	Based on the volume of SBIS issuance published by BI, accessed thru the economic and financial statistics report as an indicator of monetary operations conducted..

Source: Author's own works

5. Result and Discussion

5.1 Stationarity Test

Table 2 Stationarity Test

No	Variabel	Unit Root Test (Level-ADF)	Keterangan
1.	Z-SCORE	0,0000	Stasioner
2.	GPR	0,0001	Stasioner
3.	EPU	0,0000	Stasioner

4. SBIS 0,0000 Stasioner

The results of the stationarity test for each variable show that all variables have a probability < 0.05 . All variables are stationary at the level and meet the criteria, making them suitable for further testing. Based on the results of the panel data regression estimation model selection, the best model to use is the Random Effect Model (REM).

Classical Assumption Test The normality test is used to determine whether the independent and dependent variables have a normal or near-normal distribution. This test is conducted using the Jarque-Bera statistical test. If the calculated JB probability is greater than the significance level of 0.05, the data is normally distributed; however, if it is less than 0.05, the data is not normally distributed. That the p-value is $0.000000 < 0.05$. Therefore, it can be concluded that the data in this study are not normally distributed. Ghazali (2018) states that data that is not normally distributed can be transformed to become normal using the square root transformation (SQRT). After performing the logarithmic data transformation, the probability value is $0.064692 > 0.05$. Thus, it can be concluded that the data in the variable is normally distributed. There is no multicollinearity problem between the independent variables, according to the multicollinearity test, which yielded VIF values < 10 . The heteroscedasticity test is used to determine if there are residual variances between observations. Using the Glejser test, the researchers found no heteroskedasticity issues, with the probability values for each independent variable being 0.7098, which is greater than 0.05. The purpose of the autocorrelation test is to determine if there is a residual relationship between period (t) and the previous period in a model. that the DW value is 0.258529, which indicates that the symptoms are autocorrelated and require attention. According to Ghazali (2017), if autocorrelation symptoms are found in regression, the standard error must be corrected by reducing the lag of the dependent variable, which is Y (-1). After correction with Y (-1), the Durbin-Watson value is 2.155436 with 420 observations and k=3 variables. The DW value falls within the range $dL < DW < 4-dL$ ($1.83 < 2.155436 < 2.16$), indicating no autocorrelation issues in this mode:

5.2 Regression Model Analysis

Equation 1

Dependent Variable: SQRTY
Method: Least Squares
Date: 02/28/25 Time: 08:44
Sample (adjusted): 2 420
Included observations: 419 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.847826	0.094238	8.996608	0.0000
SQRTX1	0.000112	0.000826	0.135197	0.8925
SQRTX2	0.013069	0.012501	1.045423	0.2964
SQRTZ	0.002523	0.005113	0.493369	0.6220
Y(-1)	0.240371	0.006075	39.56984	0.0000
R-squared	0.793470	Mean dependent var		1.795652
Adjusted R-squared	0.791474	S.D. dependent var		0.576900
S.E. of regression	0.263439	Akaike info criterion		0.181872
Sum squared resid	28.73166	Schwarz criterion		0.230057
Log likelihood	-33.10219	Hannan-Quinn criter.		0.200919
F-statistic	397.6372	Durbin-Watson stat		2.155436
Prob(F-statistic)	0.000000			

Source: Author' own work

The partial influence between the independent and dependent variables was determined using the t-test. Based on the adjusted coefficient of determination test results of 0.791474, it can be concluded that geopolitical risk has a positive but insignificant effect on bank stability; economic policy uncertainty has a positive but insignificant effect on bank stability; and SBIS has a positive but insignificant effect on bank stability. Variable Y is simultaneously influenced by SBIS, economic policy uncertainty, and geopolitical risk. By looking at the prob value (F-statistic), this study shows that the prob value (F-statistic) of 0.000000 is greater than 0.05, so it can be concluded that geopolitical risk variables, economic policy uncertainty, and SBIS simultaneously affect variable Y.

Equation 2

Dependent Variable: SQRTZ
 Method: Least Squares
 Date: 03/01/25 Time: 13:44
 Sample (adjusted): 2 420
 Included observations: 419 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.851891	0.901595	-0.944871	0.3453
SQRTX1	0.082711	0.006811	12.14444	0.0000
SQRTX2	-0.437531	0.118213	-3.701197	0.0002
Y(-1)	0.020648	0.057365	0.359945	0.7191
R-squared	0.273842	Mean dependent var	5.373106	
Adjusted R-squared	0.268592	S.D. dependent var	2.957200	
S.E. of regression	2.529068	Akaike info criterion	4.703080	
Sum squared resid	2654.417	Schwarz criterion	4.741627	
Log likelihood	-981.2952	Hannan-Quinn criter.	4.718317	
F-statistic	52.16687	Durbin-Watson stat	1.089820	
Prob(F-statistic)	0.000000			

Source: Author' own work

Based on the results of the coefficient of determination test in Figure 4.18, the adjusted R-squared value of 0.268592 indicates that 26% of X's ability to explain is influenced by other variables not discussed in this study, and 74% is influenced by geopolitical risk and economic policy uncertainty. If the probability value (F-statistic) is 0.0000, which is less than 0.05, it can be concluded that geopolitical risk variables, economic policy uncertainty, and SBIS have a simultaneous effect. The t-test for geopolitical risk shows a significant positive influence on SBIS (probability value 0.0000 less than 0.05), and the t-test for economic policy uncertainty shows a significant negative influence on SBIS (probability value 0.0002 less than 0.05). Path analysis shows that SBIS is not significant as a mediator in the influence of economic policy uncertainty on bank stability.

Discussion and Analysis Theoretically, increased geopolitical volatility can make the banking sector highly uncertain, which could ultimately disrupt its intermediation function. However, the research results show that Islamic banks have better resilience and stability in this context. As stated by Muharam (2023), this can be attributed to the implementation of sharia principles that prohibit usury and speculation. These principles provide a strong foundation for reducing risk and market volatility, allowing Islamic banks to remain stable and contribute positively. This study yielded favorable findings (Vuong et al., 2024), stating that geopolitical risk has a positive correlation with bank stability.

The study showed that banks with good risk management, larger asset size, and a high degree of diversification in the global financial market are more vulnerable to global economic shocks. According to research by Khusnul Rois and Sugianto (2021), Islamic banking was able to withstand the global economic crisis of 2020. Islamic banking has this resilience because it implements a profit-loss sharing system that is not dependent on interest rates. By not relying on interest rates, Islamic banking is better protected from currency value fluctuations and the impact of inflation, ensuring a steady flow of capital and continued asset growth. keeping funds in Islamic banks because they are more resistant to economic recessions.

According to research by Alzarooni et al. (2024), Islamic banks are more stable than conventional banks in the face of economic uncertainty, especially in the context of global financial crises. Because of this stability, many people choose to keep their money in Islamic banks. Because of the high geopolitical dynamics affecting financial institutions and the economy, SEBI, as a monetary instrument, is used to control economic stability. Bank Indonesia (BI) will increase the issuance of SBIS as a monetary operation instrument to reduce the risks arising from these changes. A study conducted by Winarto et al. (2024) found that Bank Indonesia will increase the yield on SBIS as a result of increasing uncertainty, as this will attract banks to place more of their funds in this instrument.

The purpose of this increase is as follows: (1) to encourage banks to retain their capital rather than disburse it as financing, which is a form of risk; (2) to anticipate liquidity problems that may arise due to geopolitical changes; and (3) to increase the diversification of banking funds into safer portfolios. According to research conducted by Diantasari et al. (2024), geopolitical uncertainty increases risk in financial markets, which is why banks are less likely to provide more credit and prefer safer investments. This condition can hinder economic activity because economic actors tend to postpone decisions about investment and consumption. Additionally, economic policy uncertainty can also lead to inflation. Banks, as institutions with a direct influence on economic activity, are crucial for maintaining a stable financial system.

According to research (Fatoni, 2022b), long-term uncertainty increases bank stability. Therefore, the role of monetary instruments is not sufficiently effective in this situation because monetary instruments are typically designed to respond to economic conditions in the short term. Therefore, when uncertainty increases, banks are more likely to focus on internal risk management rather than investing their funds in SBIS. This is because it makes funds stagnant and reduces the amount of funds disbursed (Nikmah & Hidayati, 2022).

In their research, Rahman et al. (2023) found that although SBIS is often used compared to other instruments, its effect on improving the financial performance of Islamic banks is very small. This indicates that although this tool is useful for managing liquidity, its effect on bank stability is still insufficient. Asset development, net profit, and performance indicate the bank's ability to manage liquidity (Ika et al., 2024). This is supported by research by Huseyin Bilgin et al. (2021), which shows that applying Sharia principles can improve financial performance, foster customer trust and loyalty, and ensure the bank's operational stability (Ika et al., 2024).

6. Conclusion

The research findings indicate that, due to increasing uncertainty impacting credit and liquidity risks, geopolitical risk can theoretically decrease bank stability. However, the regression results show that the influence of geopolitical risk on bank stability is not statistically significant. Despite the negative coefficient and its potential negative impact, economic policy uncertainty does not have a significant influence on bank stability. Theoretically, economic policy uncertainty can disrupt the bank's intermediation function thru decreased customer confidence, increased credit risk, and restricted lending activity. Although the coefficient is positive and indicates a positive impact, Sharia Bank Indonesia Certificates (SBIS) do not have a significant influence on bank stability. Geopolitical risk has a significant positive effect, meaning that as geopolitical risk increases, the number of SBIS issued also increases. Economic policy uncertainty has a significant negative effect, meaning that as economic policy uncertainty increases, the number of SBIS issued also decreases. Although the coefficient is positive, Sharia Bank Indonesia certificates (SBIS) do not have a significant impact on bank stability. Geopolitical risk is very advantageous. This means that as geopolitical risks increase, the number of SBIS issued also increases. Economic policy uncertainty has a significant negative impact, so when economic policy uncertainty increases, the likely number of SBIS issued will decrease. Because policy uncertainty creates waves of uncertainty for economic actors, Sharia Bank Indonesia Certificates (SBIS) are instruments used to respond to a condition, making them tend to be sensitive to economic changes. SBIS also does not have a significant influence in mediating between bank stability and geopolitical risk.

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