

Exploration of Rural Banks Performance During the Covid-19 Pandemic

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Abstract. Rural Banks or BPRs are financial institutions whose majority business is to serve the lower middle class and micro-entrepreneurs rely on daily income. With the presence of cases of patients infected with the Corona virus in Indonesia in March 2021, the government took policies to tackle the spread of the virus by limiting activities outside the home and the closure of restaurants, stalls, malls and tourist attractions in April 2020 resulted in a decline in income for these businesses. This research aims to explore the impact of the Covid-19 pandemic on BPRs that serve these micro-enterprises. Even though the government has adopted a policy of restructuring credit or financing for banks, the impact of the pandemic is still being felt by financial institutions, including BPRs whose customers are the public and small entrepreneurs.

Keywords: BPR, Covid-19 Pandemic, Credit Restructuring

Introduction

Banks have an important role in driving the economy because banks are one of the source of funding for communities and companies. The role of banks during the Covid-19 pandemic increasing to support the need for funds for the business sector affected by Covid19 especially MSMEs that rely on daily income. There are restrictions social media during the pandemic also limits the operating hours of MSMEs in serving buyers, this is result in reduced income. Decreased income of entrepreneurs and the community make it difficult for them to pay their debts. The Indonesian government understands the conditions. This is so that since the beginning of the pandemic, government regulations have been issued through OJK regulations No. 48/POJK.03/2020 regarding credit or financing restructuring policies as a stimulus economic growth.

Rural Banks are bank whose majority of customers come from SMEs and the lower middle class. This is in line with the initial establishment of BPR which is regulated in Presidential Decree number 38 of 1988 that village banks, village granaries, market banks, employee bank, and other banks that can be equated with it are Credit Banks People. This study aims to explore the performance of BPR during the Covid-19 pandemic whose impact will be felt by the Indonesian people starting in March 2020. Several studies Several researchers conducted an initial study on the performance of BPRs during the Covid-19 pandemic, (Supeno & Hendarsih (2020) examines the performance of BPR which consists of credit quality and profitability in December 2019 compared to August 2020. The results of the study showed that the NPL rose and profitability in August 2020 decreased compared to the end of December 2019. The increase in NPL indicates that there are more loan installments that have not been paid. With the increase in NPL, net income will decrease due to meet Establishment of Allowance for Elimination of Earning Assets or PPPAP at BPR so that may reduce the profitability of BPR. This is in line with research conducted by several researchers during the 2008-2010 crisis, including research that conducted by Aemiro & Mekonnen (2012) who examined the performance of profitability performance institutions in Indonesia Ethiopia with results during the 2008-2010 crisis ROA and ROE fell so that institutional risk finances increased. Research conducted by Gulati & Kumar (2016) gives the results there was a decline in banking efficiency in India during the 2008-2010 economic crisis.

Some of these studies indicate the economic crisis in 2008-2010 impact on banking, performance of rural banks or financial institutions in several countries. Thereby also during the Covid-19 pandemic, the economic sector declined which resulted in people experiencing difficulties pay debts. Sukendri (2021) compares the performance of LDR and CAR of Government Banks in 2019 and 2020 which resulted in a decrease in LDR from 97.5% to 93.7% and CAR fell from 90.8 to 79.12. In addition, the research conducted by Wardani & Ismunawan (2021) tested NPL performance and BPR profitability at the start of the pandemic on BPR in the Sukoharjo area, the results showed that there was no effect of NPL on profitability. Results This is possible because the

research was conducted at the end of 2019 when Covid-19 has not yet entered Indonesia so it has not yet had an impact on the economy in Indonesia. In line with the results of this study, the research conducted by Sofyan (2021) examining the performance of BPR and BPRS in October 2020 shows BPR and BPRS in This healthy condition is indicated by the growth of BPR assets of 3.08% and the growth of BPRS assets was 4.74%.

Literature Review

Loan to Deposit Ratio (LDR)

LDR is a ratio used to measure the amount of credit disbursed and compared with public funds and own capital used by Kasmir (2019) the number of loans or credits disbursed with the amount of customer deposits. LDR Bank Indonesia recommends a good LDR ranging from 75% to 80% BI (2021).

Non Performance Loan (NPL)

NPL is a ratio that shows the quality of credit disbursed by banks. A high NPL value indicates the number of bad loans at the bank. the NPL good according to Bank Indonesia is less than or a maximum of 5%. NPL value above 5% shows the number of outstanding loans. High NPL can reduce profit company.

Return on Asset (ROA)

ROA is a profitability ratio that measures the profit that can be generated by use all assets owned by the company.

Research Methods

The design in this study used a qualitative descriptive method. Descriptive method Qualitative research is done because in this study it tends to interpret performance BPR in Indonesia before the Covid-19 pandemic and during Covid-19. The population for this study were all rural banks in Indonesia. While the sample is a conventional BPR in Indonesia. The type of data in this study is secondary data using reports Indonesian Banking Statistics Vol. 19 No 5. Sampling in this study was carried out by observing the performance of banks that reported in SPI Vol 19 No.5. Performance of banking taken for this research is the performance of BPR which consists of LDR, NPL and ROA.

Data analysis in this study was carried out with descriptive qualitative analysis, namely: looking at the data in the Indonesian Banking Statistics volume 19 No. 5 then averaged during the pandemic which began to have an impact in Indonesia at the end of April 2020 so performance LDR, NPL and ROA are 1 year average performance from April 2020 to April 2021, graph so that it can describe changes or differences in the performance of LDR, NPL and ROA BPR in the year before the pandemic, namely in 2018 and 2019 as well as performance when it occurred The first year the Covid-19 pandemic hit Indonesia, from April 2020 to April 2021 By calculating the average performance during April 2020 to April 2021, the average result this is compared to performance in 2018 and 2019 before the Covid-19 pandemic.

Results

Descriptive Statistics

Table 4.1 BPR Performance April 2020 – April 2021

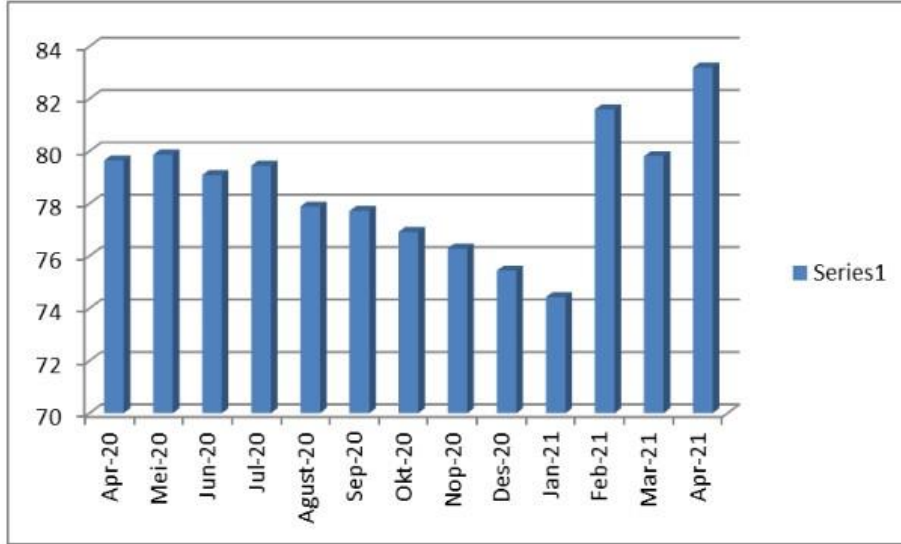
	N	Minimum	Maximum	Mean
LDR	13	81,6	83,2	72,8
NPL	13	7,22	8,63	7,9
ROA	13	1,64	2,17	1,384

The Loan to Deposit Ratio or LDR in table 5.1 shows the highest value of 83.2% and the lowest value is 81.6%. This value exceeds the maximum value of BI, which is 80% but still in the 80% range. So that the amount of credit disbursed during the 1 year of the Covid-19 pandemic comes in In Indonesia, the amount of credit disbursed from third party funds is still within reasonable limits with an average of 72.8% in accordance with the benchmark from Bank Indonesia for the ideal LDR. Credit quality performance, namely NPL for 13 months was 7.22% and the highest was 8.63, the value of The minimum and maximum NPLs are still above the ideal NPL limit from BI, which is a maximum of 5%. Score This high NPL is possible because many economic sectors have been affected by the Covid-19 pandemic in the first year it hit Indonesia so that many small entrepreneurs were unable to pay credit even though there is a policy of restructuring the credit of banks and

financial institutions from the government, but the NPL is still higher than 5%. Return on Assets is a profitability ratio that describes the net profit obtained by the company by using all of its assets to earn a profit. BPR ROA performance in Indonesia during the first year of the Covid-19 pandemic shows the smallest value is 1.64% and the highest is 2.17% and the average is 1.384%

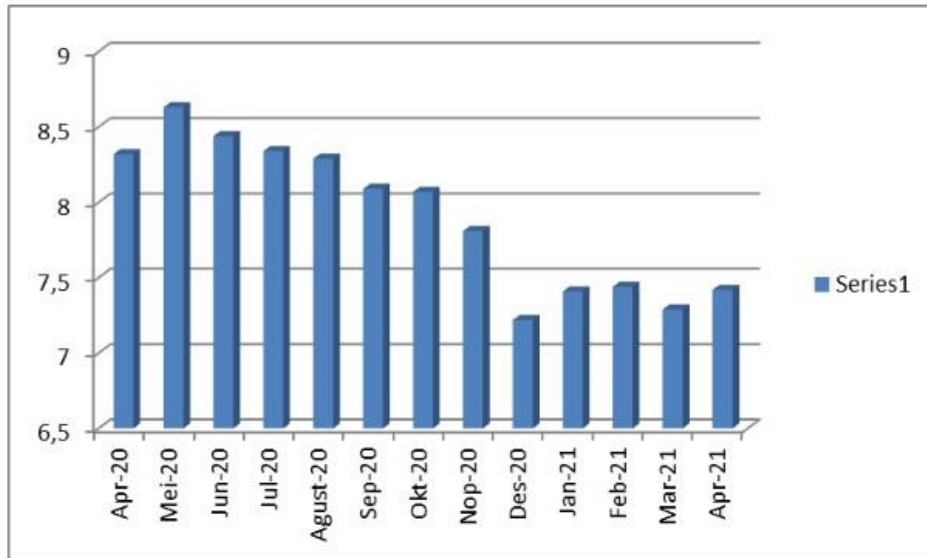
Ratio Performance Before Pandemic

Graph 4.2.1 LDR Performance April 2020 – April 2021



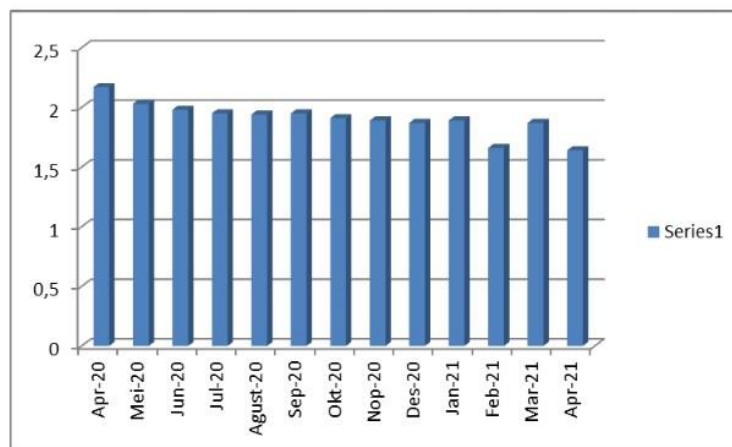
Graph 4.2.1 shows the LDR value every month for 1 year when the Covid-19 pandemic entered Indonesia. The lowest LDR is in January 2021 at 74.43% and the highest is in April 2021 at 83.2

Graph 4.2.2 NPL Performance April 2020 – April 2021



Graph 4.2.2 illustrates the rise and fall of NPL for 1 year with the lowest NPL of 7.22% in December 2020 and the highest NPL occurred in May 2020 at 8.63%.

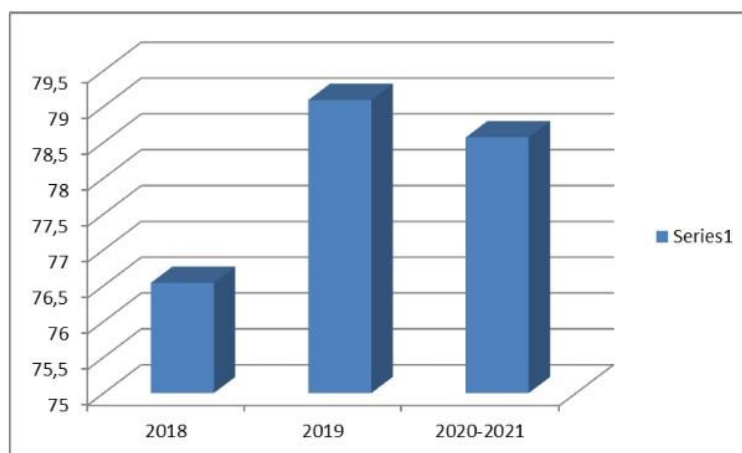
Graph 4.2.3 ROA Performance April 2020 – April 2021



Graph 4.2.3 presents the profitability performance achieved every month for 1 year of the pandemic Covid-19 in Indonesia. At the beginning of the pandemic in April 2020 the average return on assets achieved BPRs in Indonesia are still more than 2% of this achievement because the impact of Covid-19 has not yet been felt for business actors in Indonesia. However, after April 2020 showed a decrease in operating profit with a value of The lowest ROA in February 2021 was 1.66%.

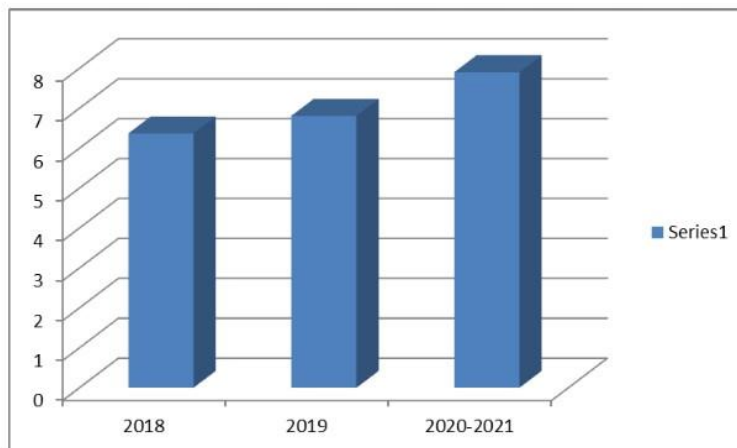
Ratio Performance After Pandemic

Graph 4.3.1 LDR 3 Years



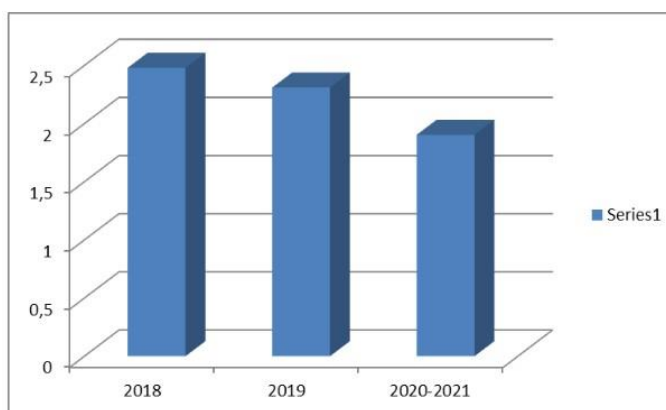
Graph 4.3.1 shows the LDR performance of BPR for 3 years, in 2018 the LDR achievement was the lowest by 76.54% and the highest in 2019 was 79.09% while in 1 year the Covid19 pandemic In Indonesia, the LDR rate is 78.57%. The LDR performance for the 3 years is still in reasonable level in accordance with the ideal LDR recommended by Bank Indonesia of 75% - 80%.

Graph 4.3.2 NPL 3 years



Graph 4.3.2 shows NPL performance for 3 years, in 2018, 2019 and 2020 2021 with the highest NPL occurring in 1 year of the Covid-19 pandemic hitting Indonesia. This matter This happened because during the 1 year of the Covid-19 pandemic, many micro-small business sectors fell BPRs whose businesses serve many micro and small entrepreneurs have difficulty in collecting credit installments given to customers. With the many credit installments that have not been paid, the NPL value increases.

Graph 4.3.3 ROA 3 Years



Graph 4.3.3 shows the ROA performance of rural banks in Indonesia for 3 years (2018 – 2021). On the chart that's the lowest profitability during the Covid-19 pandemic compared to profitability in 2018 and 2019 which reached more than 2% while in 1 year of the pandemic (April 2020 – April 2021) profitability performance is only 1.9%. This is possible because of the economic downturn, especially in the micro sector and small entrepreneurs who are affected by the pandemic so that they have difficulty paying obligations to the BPR. This can cause a decline in BPR profits.

Conclusion

This study uses data from Indonesian Banking Statistics volume 19 number 5, examining reports that provide information on the performance of BPRs in Indonesia. This study shows that the loan to deposit ratio or LDR during April 2020 – April 2021 rose quite sharply in February 2021 and was the highest in April 2021 by 83.2% while the highest NPL was in May 2020 at 86.3%. High LDR at April 2021 showed an increase in loans disbursed due to an increase in requests from the community to obtain additional capital from the BPR. While rising NPL in May 2020 is possible due to restrictions on activities outside the home and business closures that generate crowds of customers. This gives rise to a decrease in income which resulted in BPR customers having difficulty paying credit installments.

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