
Analysis of Differences in Credit Distribution, Non-performing Loans and Profits of Rural Banks (BPR) with the Issuance of the Financial Services Authority

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Muhammad Firdaus B. Y.¹; R. Heru Kristanto²; Khoirul Hikmah³

Abstract

This study aims to determine differences in credit distribution, non-performing loans, and profits at Rural Banks Owned by Regional Governments in DIY before and during the Covid-19 Pandemic after the issuance of Number 11/POJK.03/2020. This research was conducted by quantitative comparative method. The samples taken in this study are data regarding the level of lending, non-performing loans (NPL), and net income from the publication reports of Perumda BPR Bank Jogja, PT BPR Bank Sleman (Perseroda), PT BPR Bank Bantul (Perseroda), PD BPR Bank Kulon Progo Market, and PT BPR Bank Daerah Gunungkidul in 2018, 2019, 2020 and 2021. Data testing was carried out using a paired sample T/T-test using the SPSS program, with a significance value of 5%. The results of this study include differences in credit distribution at Rural Banks Owned by Regional Governments in the Special Region of Yogyakarta before and during the Covid-19 Pandemic after the issuance of Financial Services Authority Regulation (POJK) Number 11/POJK.03/2020, then there is no significant differences in non-performing loans of Regional Government-Owned Rural Banks in the Special Region of Yogyakarta before and during the Covid-19 Pandemic after the issuance of Financial Services Authority Regulation (POJK) Number 11/POJK.03/2020, as well as significant differences in bank profits Local Government-Owned People's Credit in the Special Region of Yogyakarta before and during the Covid-19 Pandemic after the issuance of Financial Services Authority Regulation (POJK) Number 11/POJK.03/2020.

Keywords: Credit distribution, non-performing loans, profits, rural banks, POJK No. 11/POJK.03/2020.

1. Introduction

Currently, people around the world are affected by the Covid-19 Pandemic, including in Indonesia. According to Kurniasih (2020), the Covid-19 pandemic has had a broad impact on the Indonesian economic sector. The economy in each region is threatened, coupled with the worse condition of the region than before. The Indonesian government is also taking aggressive steps so that the spread can be suppressed. Indonesia prefers to carry out social distancing as a solution by staying away from social activities directly with others because many Indonesians rely on daily wages, so that Indonesians can still do activities and work even in the midst of the Covid-19 Pandemic.

¹ Management, UPN Veteran Yogyakarta; muhammadfirdausby@yahoo.com

² Management, UPN Veteran Yogyakarta; heru.kristanto@upnyk.ac.id

³ Management, UPN Veteran Yogyakarta; khoirulhikmah@gmail.com

According to Seto and Septianti (2021), the Covid-19 pandemic has put pressure on the Indonesian economy. The spread of the corona virus has a negative impact on almost all industrial sectors in Indonesia. One of the industrial sectors that has been depressed due to the outbreak of the Covid-19 virus is the banking sector. The banking sector is a service business sector that collects funds from the public and distributes them back to the public in the form of loans and credit.

According to Kasmir (2017), in terms of its purpose, credit is divided into productive credit, consumptive credit, and trade credit. Productive credit is credit given to produce something or the production process, both goods and services, for example credit is given to industry, agriculture, animal husbandry, hospitality, and others. Consumptive credit is credit given for personal use or self-use or consumption, for example buying a house or vehicle that will be used for personal purposes. Trade credit is a credit given to traders, usually used to purchase merchandise whose payment is expected from the proceeds of the sale of its own merchandise.

According to Hasibuan (2001) in Ambarsita (2013), lending has several objectives, including obtaining bank income from credit interest, utilizing and producing existing funds, carrying out bank operational activities, fulfilling credit demand from the public, streamlining the payment process, increasing the company's working capital, and increasing funding and public welfare.

According to Mutiara (2016), the provision of credit by banks to customers is guided by the principle of trust and the principle of prudence. On the principle of trust, the bank believes in customers that the credit provided can be beneficial for customers and the bank also believes that customers are able to pay off credit debts and interest within a predetermined period of time. Meanwhile, in the principle of prudence, banks in carrying out their business activities including lending must always be guided and apply the principle of prudence to mitigate the risk of loss for the bank. The precautionary principle is a principle or principle that states that in carrying out its functions and business activities the bank must be careful in order to protect public funds entrusted to the bank.

According to Djumhana (2000) in Hariyani (2010), the credit given by the bank is based on trust so that the provision of credit is a provision of trust to customers. The provision of credit by the bank is intended as an effort to make a profit, so the bank may only pass on public deposits to its customers in the form of credit if the bank believes that the customer will be able to return the loan he received in accordance with the period and conditions agreed by both parties.

The Covid-19 pandemic began to hit Indonesia since the beginning of 2020 which has had an impact on various sectors, including the banking sector. According to Tias (2021), BPR credit disbursements in Temanggung Regency during the Covid-19 pandemic are still increasing. The increase in the amount of credit provided by the BPR shows that the BPR in Temanggung Regency has carried out a good intermediation function. With the good credit distribution by BPR to the people of Temanggung Regency, BPR in Temanggung participates in supporting the capital and economy of the community in Temanggung Regency.

According to Sofyan (2021), credit disbursements to the BPR and BPRS industries are still experiencing growth during the Covid-19 pandemic. However, the level of NPL and NPF in BPR and BPS also increased during the Covid-19 pandemic. So that RURAL BANKS and RURAL BANKS must be more proactive in restructuring loans to overcome the high NPL and NPF.

According to Pangkey and Dotulong (2022), policies during the Covid-19 pandemic did not have a significant effect on BPR Nusa Utara. In addition, the Covid-19 pandemic also did not significantly affect the financial performance of BPR Nusa Utara. This is because BPR Nusa Utara uses online media to optimize the company's work and activities, the existence of a remote work system that is well controlled so that the

performance of employees and companies remains good, as well as the stable amount of consumer demand due to the increase in community needs during the Covid-19 pandemic.

According to Agustina and Said (2021), the Covid-19 pandemic did not have much effect on financial performance in the Regional General Company of BPR Cirebon. The financial condition from before the Covid-19 pandemic to the Covid-19 pandemic did not decrease so much. The increase in credit occurred slightly because during the Covid-19 pandemic, people needed business funds to meet the needs of clothing, food and housing.

Meanwhile, according to Siagian et al (2022), the Covid-19 pandemic has resulted in an increase in non-performing loans or banking NPLs due to a decrease in the ability of business actors to fulfill their debt obligations. This is because the real sector or the business world during the Covid-19 pandemic has experienced a decline in business activities. To suppress non-performing loans, banking crises, and bankruptcies in the business world, the OJK issued regulations for the credit restructuring program. This credit restructuring program can manage the NPL level well. In addition to the increase in NPLs, during the Covid-19 pandemic, it had an impact on reducing the ability to generate profits in banks. This was due to the impact of the decline in bank lending and the allowance of funds for the credit restructuring program.

According to Tiwu (2020), the Covid-19 pandemic has partially affected the NPL ratio in RURAL BANKS in Indonesia. The COVID-19 pandemic has resulted in an increase in the NPL ratio to rural banks in Indonesia. This is because the business sector such as MSMEs has experienced a decrease in people's purchasing power, resulting in a decrease in the profits of business actors, so that business actors who have loans at BPR are unable to fulfill their obligations in repaying loans.

According to Widiyaningtias and Dura (2022), the NPL level in BPR and BPRS companies in East Java has experienced a significant difference between before and during the Covid-19 pandemic. The Covid-19 pandemic has had a significant impact on the increase in bad loans in rural banks and rural banks in East Java. This is because BPR and BPRS are unable to meet the projected payment for a certain period of time during the Covid-19 pandemic.

According to Rosidi and Zakiyya (2022), credit performance has changed during the Covid-19 pandemic, especially in the ability to pay credit. Debtors experience a decrease in the ability to repay credit so that credit applications become less optimal and less attractive. This decrease in the ability to pay will result in an increase in NPLs. However, the NPL level of BPR before the Covid-19 pandemic was already in the unhealthy category. This is a reference to improve the performance or credit quality of rural banks.

According to Yasin and Ladi (2021), the financial performance of RURAL BANKS before and during the pandemic has undergone significant changes but is still in a fairly good condition. During the Covid-19 pandemic, there was a significant increase in NPLs. This increase was due to the decline in the community's economy as a result of economic and social restrictions, thereby increasing non-performing loans. People find it difficult to pay their credit installments when the Covid-19 pandemic is the background for NPLs in BPR is quite high. Not only during the Covid-19 pandemic, but the NPL level before the Covid-19 pandemic was also in the unhealthy category because the NPL rate was more than 5%. Thus, RURAL BANKS must be more vigilant in paying attention to the NPL level so that NPLs do not increase and credit quality performance becomes even better.

In dealing with the Covid-19 pandemic, the Government has also made various efforts to help the public and banks, one of which is the issuance of the Financial Services Authority (POJK) Regulation of the Republic of Indonesia Number 11 / POJK.03 / 2020. Regulation of the Financial Services Authority (POJK) of the Republic of Indonesia Number 11 / POJK.03/2020 was issued in March 2020. The regulation is a regulation that

contains the stimulus of the national economy as a countercyclical policy for the impact of the spread of Covid-19. The Financial Services Authority hopes that the emergence of this regulation can have a positive impact on banks and the public.

According to Kustina et al (2022), there is a significant difference in BPR profit in Badung Regency between before and after the announcement of the credit restructuring policy by the OJK. The difference in profits obtained is due to the credit restructuring policy which provides leeway for debtors to get delays in credit principal payments, delays in interest arrears, extension of credit grace periods, and the addition of other credit facilities. This causes banks not to obtain operating income, namely interest income on loans disbursed which has an impact on reducing profits.

According to Supeno and Ida (2020), the Covid-19 pandemic has an impact on BPR performance. In terms of lending, the Covid-19 Pandemic has caused suboptimal performance or credit distribution. In addition, the Covid-19 Pandemic also had an impact on increasing non-current loans to rural banks. Meanwhile, there is an aspect of profit before tax in BPR, there is also a decrease due to the impact of the Covid-19 pandemic. This is due to the decrease in interest income receipts.

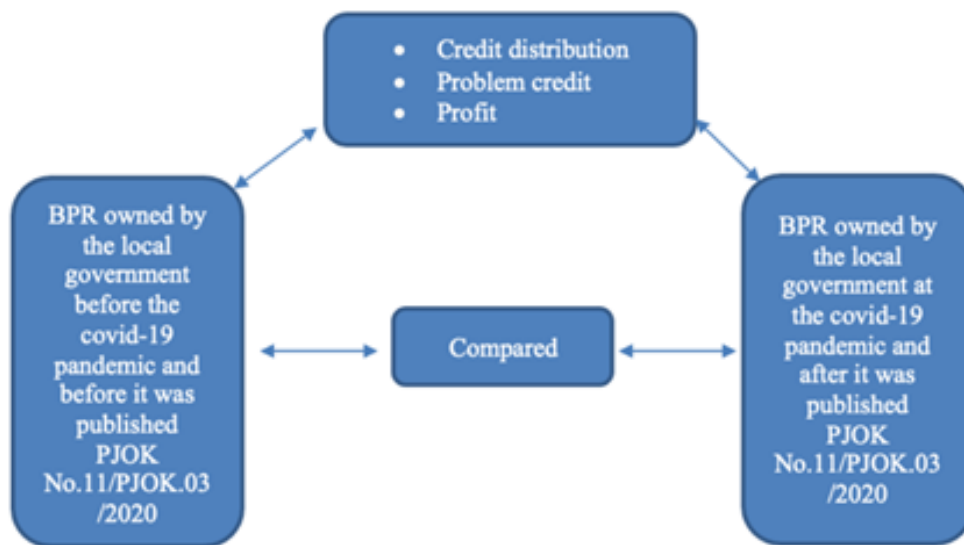


Figure 1. Conceptual Framework

2. Methodology

This research is a descriptive study that uses a comparative method. According to Muslich and Iswati (2009), comparative research is a study by comparing one variable with another variable or the same variable but in two or more samples or compared in different times.

2.1. Subject Matter

The object of this study is regarding the level of lending, non-performing loans (NPL), and net profit at regional general company BPR Yogyakarta, PT BPR Sleman, PT BPR Bantul, PD BPR Kulon Progo, and PT BPR Bank Daerah Gunung kidul.

2.2. Data Collection

Sampels taken are data on the level of lending, non-performing loans (NPL), and net profit from the publication report of regional general company BPR Bank Jogja, PT BPR Bank Sleman, PT BPR Bank Bantul, PD BPR Bank KulonProgo, and PT BPR Bank Gunung kidul in 2018, 2019, 2020 and 2021.

The data collection technique of this study was carried out by downloading the publication report of regional general company BPR Bank Jogja, PT BPR Sleman, PT BPR Bantul, PD BPR Kulon Progo, and PT BPR Bank Gunungkidul. The publication report is downloaded via the <https://www.ojk.go.id/id/kanal/perbankan/data-danstatistik/laporankeuanganperbankan/Default.aspx> page.

2.3. Analysis Methods

Analysis in this study is quantitative data analysis using quantitative comparative methods. The analysis was carried out by comparing data in the form of lending rates, non-performing loans (NPLs), and net profit at different times, namely 2018, 2019, 2020, and 2021. Data testing was carried out with a T / T-test of two paired samples using the SPSS program, parametric assumptions were carried out with a significance value of 5%.

3. Results

3.1. Analysis

Table 1. Paired Samples Statistics Analysis Results Average Lending

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Credit Distribution before pandemic	447916219.37	35	150083235.720	25368697.046
	Credit Distribution after pandemic	520799740.94	35	173778465.139	29373921.838

Source : Data processed by the author

In this case, the average value of credit disbursement during the Covid-19 Pandemic after the issuance of POJK Number 11 /POJK.03/2020 is higher than before the Covid-19 Pandemic ($520799740.94 > 447916219.37$).

Table 2. Paired Samples Test Analysis Results Number of Credit Disbursements

		Paired Differences					t	df	Sig.(2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95 % Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Before-After	-72883521.571	48521773.800	8201676.715	-89551334.042	-56215709.101	-8.886	34	.000

Source : Data processed by the author

Based on the results of the T test two paired samples resulted in that sig value. (2-tailed) is smaller than 0.05 ($0.00 < 0.05$), so there is a significant difference in the distribution of BPR loans owned by local governments in DIY between before and during the Covid-19 Pandemic after the issuance of POJK Number 11 / POJK.03 / 2020.

Table 3. Results of Paired Samples Statistics Analysis of Average Non-Performing Loans

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	NPL Sebelum Pandemi	22.280	35	144.887	.24490
	NPL Saat Pandemi	25.869	35	.76481	.12928

Source : Data processed by the author

Based on the results of statistical tests, two paired samples were produced that the average value of non-performing loans (NPLs) before the Covid-19 Pandemic was 2.2280 while the average NPL value during the Covid-19 Pandemic after the issuance of POJK Number 11 / POJK.03 / 2020 was 2.5869. In this case, the average NPL value during the Covid-19 Pandemic is higher than before the Covid-19 Pandemic ($2.5869 > 2.2280$).

Table 4. Analysis Results of Paired Samples Test for Non-Performing Loans

		Paired Differences					t	df	Sig.(2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95 % Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Before-After	-0.35886	122.976	0.20787	-0.7813	0.06358	-1.726	34	0.093

Source : Data processed by the author

Based on the results of the T test two paired samples resulted in that sig value. (2-tailed) greater than 0.05 ($0.093 > 0.05$), so there is no significant difference in the value of problematic credits of BPR owned by Local Governments in DIY between before and during the Covid-19 Pandemic after the issuance of POJK Number 11 / POJK.03 / 2020.

Table 5. Results of Paired Samples Statistics Profit Analysis

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Profit and loss before pandemic	8629340.69	35	6185801.678	1045591.321
	Profit and loss during pandemic	5081826.17	35	4515928.835	763331.294

Source : Data processed by the author

Based on the results of statistical tests, two paired samples were produced that the average profit before the Covid-19 Pandemic was 8629340.69 while the average profit during the Covid-19 Pandemic after the issuance of POJK Number 11 / POJK.03 / 2020 was 5081826.17. In this case, the average profit value during the Covid-19 Pandemic after the issuance of POJK Number 11 / POJK.03 / 2020 is lower than before the Covid-19 Pandemic ($5081826.17 < 8629340.69$).

Table 6. Results of Paired Samples Profit Test Analysis

		Paired Differences					t	df	Sig.(2-tailed)
		Mean	Std. Dev	Std. Error Mean	95 % Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Before-After	3547514.514	4408467.113	745166.947	2033153.077	5061875.952	4.761	34	.000

Source : Data processed by the author

Based on the results of the T test two paired samples resulted in that sig value. (2-tailed) is smaller than 0.05 ($0.00 > 0.05$), so there is a significant difference in the profit of BPR owned by local governments in DIY between before and during the Covid-19 Pandemic after the issuance of POJK Number 11 / POJK.03 / 2020.

4. Discussion

Based on the data obtained from the analysis above, it can be concluded that the results of testing the hypothesis of this study are:

- H1: There is a significant difference in lending to BPR owned by local governments in DIY before, during, and after the Covid-19 pandemic with the issuance of the Financial Services Authority (POJK) Regulation of the Republic of Indonesia Number 11 / POJK.03 / 2020.
- H2: There is no significant difference regarding non-performing loans at BPR Owned by Local Governments in DIY before, during, and after the Covid-19 Pandemic with the issuance of the Financial Services Authority (POJK) Regulation of the Republic of Indonesia Number 11 / POJK.03 / 2020.
- H3: There is a difference in profit at BPR owned by local governments in DIY before, during, and after the Covid-19 pandemic with the issuance of the Financial Services Authority (POJK) Regulation of the Republic of Indonesia Number 11 / POJK.03 / 2020.

In this study, it was stated that credit distribution in rural banks owned by local governments in DIY has a significant difference because BPR owned by local governments in DIY are still trying to increase credit distribution after the Covid-19 pandemic. BPR owned by the Regional Government in Special Region of Yogyakarta continues to try to increase credit distribution by referring to the Financial Services Authority (POJK) Regulation of the Republic of Indonesia Number 11 / POJK.03 / 2020 so that BPR does not lose money.

BPR owned by the Regional Government in DIY increased credit distribution during the Covid-19 Pandemic by applying the principle of prudence, one of which is by further increasing credit distribution to the consumptive sector, namely debtors with a salary cut system. BPR owned by the Regional Government in DIY increases lending to debtors with a salary cut system to minimize non-performing loans. Thus, the issuance of the Financial Services Authority (POJK) Regulation of the Republic of Indonesia Number 11 / POJK.03 / 2020 can trigger the growth of BPR loan disbursements owned by local governments in DIY.

At the level of non-performing loans in rural banks owned by local governments in DIY, there is no significant difference between before and during the Covid-19 Pandemic. This is because BPR owned by the Regional Government in DIY restructured loans to debtors affected by the Covid-19 Pandemic based on the Financial Services Authority (POJK) Regulation of the Republic of Indonesia No. 11/POJK.03/2020.

This loan restructuring is carried out by providing relief in paying installments to debtors affected by the Covid-19 Pandemic by paying credit interest only, extending the credit period, or reducing the number of debtor installments so that the debtor still has a smooth status in the banking system. Thus, the issuance of the Financial Services Authority (POJK) Regulation of the Republic of Indonesia Number 11 / POJK.03 / 2020 has an impact on maintaining non-performing loans at rural banks owned by local governments in DIY so that there is no significant increase in non-performing loans during the Covid-19 Pandemic.

In the profit of BPR owned by the Regional Government in DIY, there is a significant difference between before and during the Covid-19 Pandemic. The decline in profit occurred because many debtors had difficulty in paying credit installments during the Covid-19 Pandemic. The difficulty in paying installments is caused by the Covid-19 Pandemic which has caused debtor incomes to decrease due to large-scale social restrictions (PPSB) recommended by the Government.

According to Siagian et al (2022), the decline in banking profits was due to the impact of a decrease in bank lending and the allowance of funds for the credit restructuring program. In addition, this significant difference in profit is also due to the debtor who died due to Covid-19 and many debtors who experienced difficulties in paying credit installments during the Covid-19 Pandemic.

Debtors experience installment difficulties because they experience a decrease in income due to a decrease in consumer purchasing power and limited business activities, especially debtors from the MSME sector. Then the issuance of the Financial Services Authority (POJK) Regulation of the Republic of Indonesia Number 11 / POJK.03 / 2020 is expected to help debtors affected by the Covid-19 Pandemic by providing relief to debtors in paying installments. Thus, the issuance of the Financial Services Authority (POJK) Regulation of the Republic of Indonesia Number 11 / POJK.03 / 2020 helps debtors to be given relief in paying installments during the Covid-19 Pandemic, but this has not been able to help increase the profit of BPR owned by local governments in DIY.

5. Conclusion

The conclusions of the results of this study include that there are significant differences (there are real differences) in the distribution of loans of People's Credit Banks Owned by Local Governments in the Special Region of Yogyakarta before and during the Covid-19 Pandemic after the issuance of the Financial Services Authority (POJK) Regulation Number 11 / POJK.03 / 2020.

Then there is no significant difference (there is no real difference) in non-performing loans of People's Credit Banks Owned by Regional Governments in the Special Region of Yogyakarta before and during the Covid-19 Pandemic after the issuance of the Financial Services Authority (POJK) Regulation Number 11 / POJK.03 / 2020. In addition, there is significant difference (there is a real difference) in terms of the profit of the People's Credit Bank owned by the Regional Government in the Special Region of Yogyakarta before and during the Covid-19 Pandemic after the issuance of Number 11 / POJK.03 / 2020.

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