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Financial Performance Analysis of PT Bank BPD Daerah Istimewa Yogyakarta during Pandemic

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ABSTRACT

Financial analysis is used as a benchmark for assessing the performance of a bank where from this financial report information on its financial position will be obtained, so that external parties can use it to determine the risks to a bank. This research investigates the performance of BPD DIY during the pandemic through analysis of financial ratios such as Capital Adequacy Ratio (CAR), Non Performing Loan (NPL), Net Interest Margin (NIM), Return On Assets (ROA), Return On Equity (ROE), Operating Ratio (OR), and Loan to Deposit Ratio (LDR). The study found that the performance of BPD DIY in the midst of deteriorating macroeconomic conditions due to the pandemic is good in terms of financial ratio proxies. Banks must always carry out internal evaluations on an ongoing basis to improve bank capabilities and minimize risk.

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1. Introduction

The global economy is experiencing a severe shock due to the Corona Virus Disease 2019 (COVID-19) pandemic. The world economic crisis arose as a result of the enactment of government regulations with the implementation of mobility restrictions carried out to reduce the spread of COVID-19. The economic crisis arose due to a decline in global economic activity and investment, which was reflected in a contraction in supply and demand for production and consumption. The process of producing and distributing goods in international transaction and distribution activities is also disrupted due to the obstruction of human mobility. Deteriorating expectations of economic performance forced the global economy to face unfavorable conditions so that investors changed their behavior to be more prudent in their investment.

The Indonesian economy in 2020 was also heavily affected by COVID-19. Problems start from health, social problems, and then spread to economic problems and almost all aspects of the nation's life. The government immediately took steps to reduce the spread of COVID-19 and its impact through social restrictions (PSBB, PPKM) which turned out to have a bad impact on financial conditions. The reduction in human mobility, which was followed by a decrease in the activity of goods and services, caused economic growth to fall sharply. Cumulative to cumulative (CtC) the Indonesian economy contracted in 2020 by 2.07% or grew minus 5.02% (CtC) compared to growth in 2019.

However, the situation at the end of 2020 gave little hope, with successful world economic stimuli and global transactions starting to return to normal. The improvement in the global economy is estimated to be able to boost the national economic recovery. After experiencing a growth contraction of minus 2.07% (YoY) in 2020 due to the COVID-19 pandemic, the Indonesian economy is expected to improve in 2021. Economic growth in 2021 is capable of positive growth reaching the 5% (YoY) predicted by the Minister of Finance, Sri Mulyani. However, the projected economic growth in 2021 will depend on the vaccination program, economic recovery policies, and pandemic control.

In general, the DIY economy in 2020 contracted by 2.69%, a decrease compared to 2019 which grew by 6.59%. The economic contraction in DIY was mainly due to the COVID-19 pandemic. This condition also occurs in other provinces, nationally, and even throughout the world. Along with the increasing number of cases, the DIY government established a COVID-19 emergency response status in March 2020, and it was extended until the end of the year. The widespread and massive pandemic condition in DIY has caused human movement and economic activities to be increasingly restricted. In the long term, this pandemic causes an economic contraction.

In terms of the banking industry, optimism for economic recovery was built through collaboration by the Government, Bank Indonesia, and banks to overcome and mitigate economic conditions that occurred during and after the COVID-19 pandemic, such as loose liquidity, lower interest rates, and monetary policy. The intermediation function is the main function of banking in the sense that banks must act as a bridge between debtors (fund borrowers) and creditors (fund owners) creating the consequence that the banking industry is one of the sectors that must contribute to national economic growth. Banking is expected to encourage the movement of the country's economy by helping business people who need funds to support their business activities with financing through the facilities provided (Agustin, 2018).

Banks have an obligation to maintain their performance, especially regarding finances in order to maintain public trust which can be seen from their financial performance. Of the various indicators forming a bank's financial performance, the main indicator is the bank's financial report which is the reference for assessment by the public. The soundness of the bank is known from a number of financial ratios analysis results based on financial reports (Faisol, 2007).

Financial ratios are stated numerically and can be presented in the form of a percentage or this time is the result of intermediate calculations so that it can describe the comparison of these financial data (Maesaroh, 2015,Marcucci, 2009). Profitability is one of the ratios to determine the effectiveness of the bank. From this profitability ratio can be seen the ability of banks to print profits (Restianti, 2008). According to Hutagalung (2013) and Prasanjaya (2013), the most appropriate indicator to assess a bank is profitability which in the banking world is called Return on Assets (ROA). The ROA ratio is calculated by dividing the bank's profit by its total assets (Mawardi, 2005). Financial performance will be better if the ROA is greater, which means that the bank can print large profits so that the share of shareholders' return also increases (Wahyuningsih, 2016).

Important indicators that affect bank performance are CAR, NPL, NIM, OR, and LDR. The amount of capital of a bank that affects its ability to run a business is shown in the ratio of Capital Adequacy Ratio (CAR). Banks are said to be efficient if their capital can cover the risks that arise (Fujii, 2014). Non-Performing Loan (NPL) is a financial ratio that shows the size of non-performing loans when compared to the total loans granted (Koudstaal, 2012). A bank's NPL is said to be high if the outstanding non-performing loans are greater than the total credit outstanding. The result of a high NPL is a high cost of reserves for productive assets followed by an increase in other costs. This will reduce the achievement of bank profits and performance (Nansi & Airawaty, 2021).

Net Interest Margin (NIM) is a financial ratio that reflects the good or bad performancebank in making profit. NIM according to Bank Indonesia Regulation (PBI) is the total difference between funding interest costs and lending interest costs (Kumbirai, 2010). So the size of the NIM will show how the bank's performance, indirectly reflects the level of health.

The ability of a bank to fulfill its obligations is measured by the Loan to Deposit Ratio (LDR). If the bank's performance also increases as reflected in the increase in bank profits, the LDR ratio will be higher (Luo, 2014, Shrieves, 2013).

This study aims to determine the performance of the DIY Regional Development Bank during the pandemic by analyzing its financial ratios, namely Capital Adequacy Ratio (CAR), Non Performing Loan (NPL), Net Interest Income (NIM), Return On Assets (ROA), Operating Ratio (OR) or Operating Expenses to Operating Income (BOPO), and Loan Deposit Ratio (LDR). Financial ratio analysis is done by comparing the data on the balance sheet, income statement, and cash flow statement.

The results of a good financial statement analysis reflect that the bank has managed its function as a collector and distributor of public funds (intermediation) in a prudent manner so that customer trust is maintained, where customer trust is the main thing that must be maintained by the bank's mandate (Switzer, 2013). In addition to achieving good financial ratios, supervisory actions by the regulator, namely Bank Indonesia, are also important in order to identify risks and mitigate them early.

2. Method

This study uses a literature review and a quantitative approach with a case study method at PT Bank BPD DIY. Research uses primary data that is converted into the forms of numbers, tables, and so on or is called secondary data. Quantitative methods are applied to analyze financial ratios whose data are in the form of numbers. The mathematical analysis technique model chosen is comparative statistics which is intended to determine the difference between the ideals/expectations of achieving financial ratios based on the strategies and programs that have been set for in-depth study.

3. Results and Discussion

3.1 Financial Performance of PT Bank BPD DIY 2019-2020

Table 1.

Financial Performance of PT Bank BPD DIY 2019-2020

(in million rupiah)

Information	2019	2020
Cash	358,896	448,929
Credits Granted	8,249,985	8,567,379
Credit Growth (%)	13.53	3.85
Total Assets	13.652980	14,707,047
Third-party funds	8,650,540	10,270,374
Total Liability	11,373,366	12,355.764
Equity	2,279,614	2,351,283
Retain earning	821,216	726,885
Net interest income	841,487	862,527
Net profit	271,549	240,622

Source: processed from PT Bank BPD DIY, 2020

In the midst of economic conditions affected by the pandemic, BPD DIY was able to face challenges and seize opportunities that occurred by recording a good performance in 2020. The conventional segment in 2020 managed to collect savings funds of Rp6.53 trillion, up 7.79% compared to in 2019 of IDR 6.06 trillion. Current accounts were successfully increased by 1.69% to Rp.2.24 trillion, previously in 2019 of Rp.2.21 billion. Time deposits were collected in the amount of Rp2.49 trillion, an increase of 96.51% while in 2019 it was Rp1.27 trillion. Credit also improved its share, increasing by 3.37% to Rp7.76 trillion, while in 2019 it was Rp7.51 trillion. BPD DIY also recorded good performance in the sharia segment. Sharia Savings was recorded at Rp344.76 billion, an increase of 14, 01% compared to 2019 of Rp302.40 billion. Time deposits from sharia banking were Rp.231.58 billion, an increase of 37.42% in 2020 while in 2019 it was Rp. 168.52 billion. Total sharia financing - net in 2020 was IDR 803.45 billion, while in 2019 it was IDR 739.21 billion, an increase of 8.69%.

On the financial side, the Bank also recorded good performance. Although profit decreased slightly, the Bank managed to increase revenue in 2020. Net interest income in 2020 was Rp.862.53 billion, an increase of 2.50% compared to 2019 which was Rp.841.49 billion. Assets in 2020 increased by IDR 1.05 trillion (7.72%) to IDR 14.71 trillion. Equity in 2020 also increased by 3.14% to IDR 2.35 trillion, while previously in 2019 it was IDR 2.28 trillion.

BPD DIY has entered a new era as a bank with digital services that are able to penetrate territorial boundaries. Digitization is a response and quick reaction shown by BPD DIY after the change in stakeholder interests for digital services during the increasingly massive COVID-19 pandemic. In addition, Bank BPD DIY is required to be more responsive to the needs of the banking sector in restoring the national economy. Therefore, Bank BPD DIY will be more agile and adaptive in supporting the new ecosystem of the banking industry, in addition to providing satisfaction and memorable new experiences for its customers.

3.2 Bank Health Level

Bank Soundness Level is the exposure of the results of the analysis of the bank's performance and condition. In accordance with the regulations issued by the Financial Services Authority No. POJK Number 4/POJK.03/2016 concerning Assessment of the Soundness of Commercial Banks explains that the coverage of the soundness of banks consists of 4 (four) factors, namely Risk Profile, Good Corporate Governance (GCG), Profitability and Capital. The internal operations of BPD DIY have also developed and implemented policies as stated in the Guidebook for Preparation of Bank Soundness Levels with the Decree of the Board of Directors Number 0040/OM 1007 dated January 30, 2012. In 2020, BPD DIY has conducted a self-assessment with the result of Composite Rating 2 (PK). -2), meaning that the condition of BPD DIY is healthy and can overcome negative impacts on business conditions and other external factors that may arise.

3.3 Financial Performance Based on Financial Ratios

Table 2.

PT Bank BPD DIY Financial Ratio 2019-2020

	2019	2020
CAR	24.74	26,80
NPL (gross)	3.14	2.14
NPL (net)	0.82	0.44
NIM	7.31	6.41
ROA	3.01	2.84
ROE	14.06	10.96
OR	67,40	74.07
LDR	84.07	74.28

Source: secondary data analysis, 2020

Capital Adequacy Ratio (CAR) is a bank's capital adequacy ratio in dealing with possible risks. CAR also indicates the bank's ability to fulfill the rights of its depositors and creditors. Table 2 shows that the performance of BPD DIY has increased in terms of CAR in the 2019-2020 period. The Bank still managed to maintain the stability of the ratio above the threshold set by the regulator and even experienced an increase compared to the previous year. From the table, it can be seen that the ability of BPD DIY is very good in meeting the need for funds and can mitigate the negative impacts that arise.

Non-Performing Loan (NPL) is the collectibility level that describes the amount of non-performing loans compared to the total loans extended by banks. The maximum gross NPL of a bank according to Bank Indonesia Regulation is 5% of the total debit credit balance. If the number of non-performing loans exceeds the ability limit, it will become a threat to the bank because both profitability and liquidity will be disrupted and the worst possibility is that the bank will go bankrupt (liquidation).

In the midst of a slowdown in the pace of national economic growth throughout the financial year, BPD DIY managed to improve credit quality from the previous year. It is evident from the gross NPL ratio of Bank BPD DIY in 2020 of 2.14% or an improvement from 2019 which was 3.14%. The average NPL for the 2019–2020 period is below 5%, indicating that the bank is below the maximum standard set by the regulator. In its performance of maintaining the quality of its productive assets, BPD DIY has proven to be quite good. BPD DIY should always focus on reducing the percentage of NPL even though so far the performance in this indicator has been good in order to obtain the maximum fee base income in order to achieve profit.

The ability of BPD DIY in maximizing its productive assets reflected in the ratio of Net Interest Margin (NIM). The NIM for the 2019-2020 period has decreased which shows that the ability of BPD DIY to earn profit from its operational activities in 2019 is still better than 2020. The pandemic condition that hit the world caused a decrease in net interest income of BPD DIY by 3.66% compared to the previous year.

The level of profit recorded by the bank compared to its total assets is reflected in the ratio of Return on Assets (ROA). The Return on Assets (ROA) of BPD DIY in 2020 based on table 2 was recorded at 2.84%, meaning a decrease compared to 2019 which was recorded at 3.01%, meaning that the ability of BPD DIY to earn profits by optimizing its total productive assets decreased when compared to 2019 However, the ROA ratio achieved is still good because it is above the average ROA of national banks and regional banks.

Meanwhile, the ROE ratio of DIY BPD in 2020 decreased from the previous level of 10.96%. ROE shows the bank's ability to print profits that will cover the capital used in business operations. This indicates that the additional capital in the two banks was not followed by a significant profit gain.

In addition to ROA and ROE, the size of earnings is also proxied by the Operating Ratio (OR) or Operating Costs to Operating Income (BOPO). BOPO describes how efficient a bank's performance is. From the calculation of the division of operational costs and operating income, it can be seen whether the management is good or not in operating the bank.

The decline in financial performance as proxied by the 2019-2020 OR can be seen from table 2. The BOPO ratio of BPD DIY reached the level of 74.07% or an increase of 67.40% compared to 2019. Another indication that can be seen from table 7 is that BPD DIY is not optimal in optimizing operational costs to obtain operating income.

The liquidity of a bank is known from the ratio of Loan to Deposit Ratio (LDR) which is obtained from the ratio of loans to deposits. The LDR is also used to calculate total credit and short-term liabilities such as uninterrupted credit disbursement and the refund of past due deposits. According to regulatory regulations, a bank's LDR limit is 78% - 92%.

The decrease in the LDR ratio in 2019-2020 indicates that the ability of BPD DIY in fulfilling its short-term obligations is worse than in 2019. BPD DIY should strive to maintain a balance between lending and raising funds, which is 74.28% although it is still slightly outside the Bank's stipulation limit. Indonesia, which is around 78-92%.

In the midst of liquidity risk and growth in credit performance, BDP DIY should be committed to strengthening its collection performance, either through existing third party funds or through other ideal funding source options and carrying out its function as an intermediary institution by steadily increasing the LDR ratio principled on prudential banking.

4. Conclusion

The presentation of the results of the research and discussion above brings the conclusion that the financial performance of BPD DIY during the 2019-2020 pandemic period using financial ratio proxies are: 1) The financial performance of BPD DIY as proxied by CAR shows an increase in 2019-2020. 2) Financial performance as proxied by NPL shows that the NPL ratio of BPD DIY tends to decrease or performs in a positive manner. 3) Financial performance as proxied by NIM shows a decline due to reduced profits. 4) Financial performance as a proxy for ROA shows a decline, as well as the ROE ratio in line with the decline in bank profits. 5) Earnings performance as seen in the OR ratio shows an increase in BPD DIY, thus BPD DIY is not efficient.

From the overall financial ratios, it can be concluded that the pandemic has a negative impact on bank performance, which is seen in almost all financial ratios experiencing a decline. However, the ratios achieved are still quite good because they only decrease and do not make losses. BPD DIY is optimistic that improvements in the global and national economy can provide opportunities for the Bank so that the Bank's prospects in the future will improve. These opportunities include the rapid development of MSMEs, creative industries, and e-commerce which is also supported by the development of infrastructure in DIY. DIY's status as a city of students and students is an opportunity for the Bank to better work on millennial generation customers. Besides that,

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