

BANKING DURING THE COVID-19 PANDEMIC IN INDONESIA: EFFECTIVENESS BETWEEN BPR AND SHARIA BPR

Meri Indri Yani

Alumni STEI Iqra Annisa Pekanbaru

E-Mail: meriindri2017@gmail.com

ABSTRACT

This study aims to determine the factors that affect banking profitability during Covid-19 in Indonesia in the 2020-2022 period using financial ratios. The financial ratios used consist of BOPO Efficiency Ratio (REO), Capital Adequacy Ratio (CAR), Non-Performing Loan (NPL) or Non-Performing Financing (NPF) to Return on Assets (ROA) in BPR and BPR Syariah in Indonesia. The analysis was carried out using quarterly time series data published by the Financial Services Authority. This study uses a multiple linear regression analysis method using SPSS version 23 software.

The results showed that REO, CAR, and NPL simultaneously had no effect on BPR ROA, while the results showed that REO, CAR, and NPF simultaneously affected Sharia BPR ROA. REO partially has a negative and significant effect on ROA BPR, CAR and NPL have no effect on BPR ROA. While REO partially has a negative and significant effect on the ROA of Sharia BPR, CAR and NPF partially have a positive and significant effect on the ROA of Sharia BPR.
Keywords : REO, CAR, NPL, NPF, ROA, Covid-19

INTRODUCTION

Coronavirus Disease (COVID-19) is shaking the world with its impact, both health and economy. This virus first appeared in Wuhan City, Hubei Province, then spread violently to various parts of the world. Coronavirus Disease (COVID-19) is spreading rapidly across China, and as of February 16, 2020, it has been reported in 26 countries globally.¹

COVID-19 is one of the new types of viruses that first appeared at the end of 2019 in Wuhan, China. Since its inception, the virus has spread throughout mainland China and in less than three months has spread worldwide, infecting more than 126,000 people in 123 countries from Asia, Europe, the United States, to South Africa. So on Wednesday, March 11, 2020, the World Health Organization (WHO) officially declared the COVID-19 outbreak as a global pandemic. As a result, to reduce the spread of the coronavirus, several countries in the world have implemented lockdowns or regional restrictions in their countries. The implementation of lockdowns certainly has a great effect on the world economy. In April, the world economic outlook projected global growth in 2020 to fall to minus 3 percent, the largest decline in a very short time. This makes the lockdown due to the COVID-19 pandemic the worst recession and far worse than the global financial crisis.

The implementation of lockdowns in various countries has had a bad impact not only on the global economy but also on the Indonesian economy. According to Minister Sri Mulyani, there are several sectors that are most significantly affected by the coronavirus, namely (1) the household sector, where the household sector is predicted to experience a

¹ Rohidatul Fuadi, thesis: *Analysis of the Efficiency Level of Sharia People's Financing Banks in Indonesia. Comparative Study: Before and During the Covid-19 Pandemic*, (Yogyakarta: Islamic University of Indonesia, 2021) p.1.

decline in terms of consumption because people do not carry out activities outside so that purchasing power decreases, (2) the MSME sector, the enactment of the lockdown makes MSMEs unable to run their businesses so that there is no income and automatically cannot fulfill obligations paying credit, (3) the corporate sector, where in this sector the most affected is tourism such as hotels, restaurants, travel or transportation agencies, and also manufacturing and trading businesses, (4) and finally the financial sector, namely the banking sector which is threatened because creditors are unable to pay their credit.²

BPR and Sharia BPR are financial service institutions that aim to meet the needs of banking services for economically weak people and small businesses in Indonesia. Micro and small businesses are one of the vital sectors in the Indonesian economy. The development of micro and small businesses in Indonesia still has obstacles in terms of fulfilling business capital sourced from financial institutions such as banks. BPR and Sharia BPR as financial institutions are given the main task, namely to contribute to improving the economy in the micro and small sectors by providing access to financial needs.³

The Covid-19 pandemic is a new challenge for BPR and Sharia BPR. BPR and Sharia BPR business activities in carrying out activities have slowed down. In addition, BPR and Sharia BPR also experience obstacles in emphasizing their operational costs. Therefore, BPR and Sharia BPR must be able to compete in maintaining their operational activities so that they can easily adjust to avoid risks and conditions that are further unstable.⁴ The following is data on the development of Sharia BPR in Indonesia.

Table 1. Development of BPR and SHARIA BPR in Indonesia

Bank Group	Number of Banks		
	2020	2021	2022
BPR	1.506	1.468	1.441
Sharia BPR	163	164	167

Source: OJK, 2023

Based on the table above, it shows that the number of Sharia BPR every year has decreased. The decline in the number of banks was due to the merger of Sharia BPR and the revocation of BPR business licenses that violated banking regulations set by Bank Indonesia.

Sharia BPR have experienced quite good growth, in 2020 Sharia BPR amounted to 163, Sharia BPR in 2021 amounted to 164, and Sharia BPR in 2022 amounted to 167. The presence of BPR Syariah further adds to the list of Islamic banking, because BPR Syariah in the banking system in Indonesia is a financial institution in meeting the needs of the community for financing transactions that are not usury based. Sharia BPR have two main functions in relation to their economic activities, namely the fund collection function and the financing function.

The business sector is the target and target of banking. One of the real roles of banks is to distribute funds to people who need business capital through micro, small, and medium

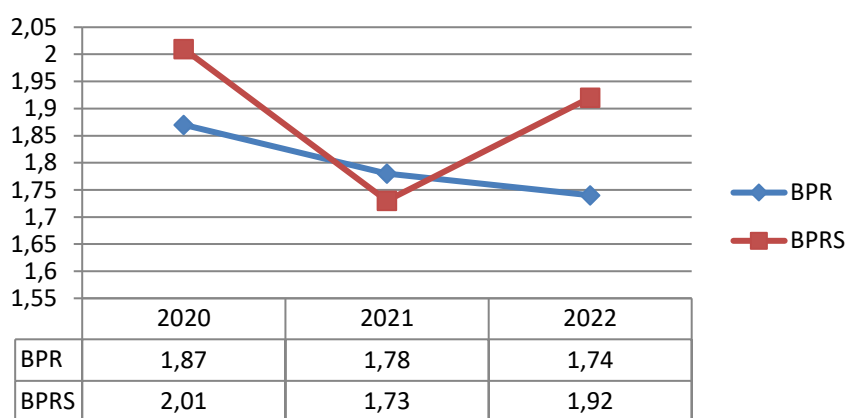
² Gusti Ayu Yuni Astari, Thesis: *Comparative Analysis of the Liquidity Levels of People's Credit Banks Before and After the Implementation of the Credit Restructuring Policy Due to the Covid-19 Pandemic*, (Singaraja: Ganesha Education University, 2021) p.1.

³ Aniesatul Nurul Aliefah, Lilis Renfiana, "Comparison of the Performance of Sharia People's Financing Banks and People's Credit Banks in Indonesia", *Journal Islamic Banking and Finance*, Vol.1 No.2, (July - December 2021), p.135.

⁴ Poernaningrum Sekar Wardhani, Ismunawan, "The Impact of the Covid-19 Pandemic on the Profitability of Conventional People's Credit Banks in Sukoharjo Regency", *Journal of Business and Accounting P-Issn: 1410 - 9875* Vol. 23, No. 1 (June 2021), p.166.

enterprises. With the distribution of funds for the real sector to the community, banks indirectly play an active role in moving the wheels of the economy for the community. However, the implementation of physical distancing has caused the income of small and medium-sized business actors to decrease, thus causing the role of banks in distributing credit or financing to the real sector to be disrupted. The decline in income for business actors has decreased by more than 50% from before, where from data obtained on the website of the Central Statistics Agency (BPS) shows that the income of Small and Medium Enterprises (MSEs) decreased by around 66.77% and the income of Large Medium Enterprises (UMB) decreased by around 57.79% due to the Covid-19 pandemic, the decline in income caused the government to impose restructuring for credit and financing activities for business actors affected by the pandemic covid-19, but with the implementation of restructuring, the profitability of Sharia People's Financing Banks in Indonesia has been disrupted as shown in figure 1.1 as follows:⁵

Graph 1. Growth of Return On Asset of BPR and Sharia BPR in 2020-2021 (%)



Source: OJK, 2023

Figure 1 shows that from 2020-2022 the Return On Asset (ROA) of BPR and SHARIA BPR fluctuated. This is due to several factors, one of which is the surge in Covid-19 cases in 2020 and 2021.

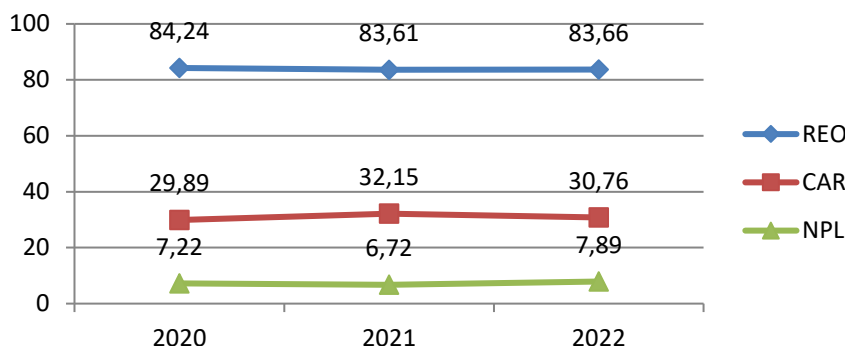
Profitability or what is called ROA is used to measure the ability of banks to generate profits. Where ROA measures the level of profitability of a bank based on assets derived from public deposit funds. The larger the ROA of a bank, the greater the level of profit achieved and the better the bank's position in terms of asset use. In this study, ROA is used as an indicator to measure the profitability level of BPR and SHARIA BPR. The use of ROA is also based on previous research by Adi Setiawan.

The profitability of a bank is greatly influenced by all or part of the financial ratios. Based on this, according to Bank Indonesia Circular Letter No.9/29/DPbS/2007 and Bank Indonesia Regulation No.9/17/PBI/2007, it is stated that the level of profitability of Islamic banking is influenced by several factors, including Capital Adequacy Ratio (CAR), Non-Performing Finance (NPF) Operational Efficiency Ratio (BOPO).⁶

Graph 2. REO, CAR, NPL BPR in Indonesia in 2020-2022(%)

⁵ Wahyu Agung Panji Subekti, Thesis: *The Effect of Capital Adequacy, Asset Growth, Bopo, Dpk, Financing, Npf, and Fdr on the Roa of Sharia Commercial Banks for the 2011-2020 Period*, (Malang: UIN Maulana Malik Ibrahim, 2022), pp.1-2.

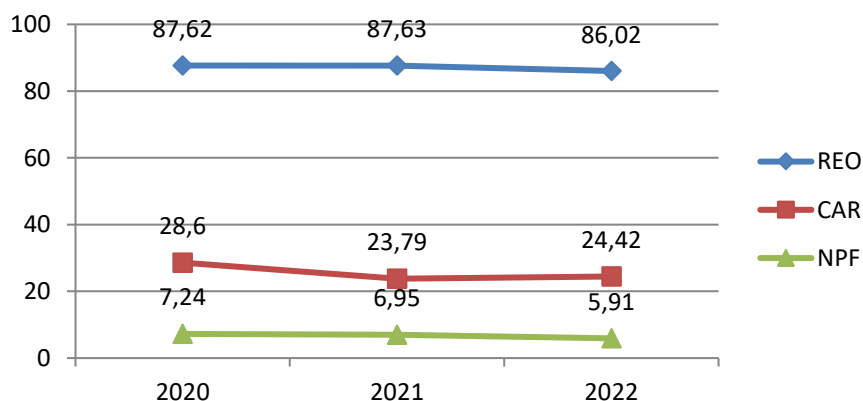
⁶ Fitra Rizal, "The Effect of Capital Adequacy Ratio, Non-Performing Finance and Operational Efficiency Ratio on the Profitability of Sharia People's Financing Banks", *Jurnal Muslim Heritage*, Vol.1 No.1, (May-October 2016), pp.180-181.



Source : OJK (processed)

Graph 2 shows that REO has fluctuated, in 2020 the REO ratio was 84.24%, decreased in 2021 by 0.63% but ROA also decreased by 0.09%. In 2020 REO increased by 0.05%, this increase caused ROA to decrease by 0.04%. CAR from 2020 of 29.89% increased in 2021 by 2.26%, but ROA decreased by 0.09%. in 2022 CAR decreased by 1.39%, as well as ROA decreased by 0.04%. NPLs fluctuated, in 2020 the NPL ratio was 7.22%, decreased in 2021 by 0.5% but ROA also decreased by 0.09%. In 2022, NPLs increased by 1.17%, this increase caused ROA to decrease by 0.04%.

Figure 3. REO, CAR, NPF BPR Sharia in Indonesia in 2020-2022(%)



Source : OJK, 2023

Figure 3 shows that the REO ratio over the past 3 years has fluctuated. In 2020 the REO ratio was 87.62%, an increase in 2021 of 0.01%, this increase caused the ROA to decrease by 0.28%. In 2022, REO decreased by 1.61%, this decrease caused ROA to increase by 0.19%. The decrease in ROA in 2021 is closely related to the covid-19 pandemic that occurred in Indonesia. CAR in 2020 was 28.6%, decreased in 2021 by 4.81% as well as ROA decreased by 0.28%. In 2022, CAR increased by 0.63%, as well as ROA increased by 0.19%. NPF in 2020 was 7.24%, decreased in 2021 by 0.29%, but ROA also decreased by 0.5%. In 2022, NPF decreased again by 1.04%, this decrease caused ROA to increase by 0.19%.

In the above phenomenon, it can be seen that there is a relationship between covid-19 and ROA has a negative trend, apart from the covid-19 pandemic factor, there are also several other factors that affect banking ROA. Several studies also explain that there are other factors that affect the ROA of banks. The research on capital adequacy on ROA, in the research conducted by Auliya and Rizal, revealed that the capital adequacy variable had a positive and significant effect on ROA, while the results of a different study were shown in the Permatasari study, which explained that the CAR variable had a negative and significant effect on ROA. The

results of a different study were also conducted by Sitompul and Nasution who concluded that the capital adequacy variable did not have a significant effect on ROA.

The research on asset growth with ROA was conducted by Aryani and Nuriyanto explained that asset growth had a positive and significant effect on ROA, while different results were carried out by Kamaruddin which showed that asset growth variables had a negative and significant effect on ROA. The results of a different study were conducted by Nurhasanah who concluded that asset growth did not have a significant effect on ROA. Further research on BOPO with ROA in the research conducted by Auliya and Hartini revealed that BOPO had a negative and significant effect on ROA, while the results of the study conducted by Yusuf concluded that the BOPO variable had a positive and significant effect on ROA. The study with different results was conducted by Aziz which showed that BOPO did not have a significant effect on ROA.

Further research on NPF with ROA in a study conducted by Miswar, Rachmawati and Nita, Almunawaroh and Marlina stated that NPF had a negative and significant effect on ROA, while a study conducted by Sri Muliawati explained that NPF had a positive and significant effect on ROA. The study with different results conducted by Wibisono and Wahyuni stated that NPF did not have a significant effect on ROA. Based on the above background, previous studies show that there are still differences in results in research, so further research is needed.

LITERATURE REVIEW

Shariah People's Financing Bank

Sharia People's Financing Bank (Sharia BPR) is an Islamic bank that is identified with a bank that deals with the small business sector. Many small business sectors are actually eligible for financing by SHARIA BPR, but because they do not have guarantees, the Small Business sector does not get financing from Islamic banks.⁷ And based on Law No. 21 of 2010 article 1 paragraph 9 of Sharia People's Financing Bank is an Islamic bank that in its activities does not provide services in payment traffic. So it can be concluded that Bank Pembiayaan Rakyat is a type of Islamic bank business that does not serve interbank payment traffic and only focuses on providing services in the small or micro business sector.

Sharia People's Financing Bank in its operational activities applies sharia principles, as well as in the process of seeking profits. Therefore, Sharia BPR in obtaining its profits does not apply interest rates, but profit sharing or profit margins that have been agreed upon with customers. The sharia foundation that supports Sharia BPR not to apply interest rates is contained in surah Al-Baqarah verse 275:

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ ذَلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا فَمَنْ جَاءَهُ مَوْعِظَةٌ مِنْ رَبِّهِ فَانْتَهَى فَلَهُ مَا سَلَفَ وَأَمْرُهُ إِلَى اللَّهِ وَمَنْ عَادَ فَأُولَئِكَ أَصْحَابُ النَّارِ هُمْ فِيهَا خَالِدُونَ ٢٧٥

275. Those who eat (transact with) riba cannot stand, except like those who stand staggered by the possession of Satan. This is because they say that buying and selling is the same as usury. In fact, Allah has legalized buying and selling and forbids usury. Whoever has reached him a warning from his Lord (concerning usury), then he stops so that what he has obtained in the past belongs to him and his business is up to Allah. Whoever repeats (the transaction of usury), they are the inhabitants of hell. They remain in it.⁸

⁷ Muhammad. *Islamic Economic Institute*. (Yogyakarta: UPP STIM YKPN, 2017), p.203.

⁸ Al-Baqarah/2:275, Qur'an of the Ministry of Religion

Based on Islamic banking law, Sharia Principles are Islamic legal principles in banking activities based on fatwas issued by institutions that have the authority to determine fatwas in the field of sharia. Sharia People's Financing Banks that do not apply interest rates in obtaining their profits, are related to the Fatwa issued by MUI Number 1 of 2004 which states the prohibition of the practice of interest in financial institutions because in the practice of interest or interest in conventional banking has been included in the criteria for *riba nasi'ah*.

The purpose of the establishment of BPR Syariah is to improve the economic welfare of Muslims, especially people from weak economic groups who are generally in rural areas. Increase employment, especially at the sub-district level, so that it can reduce the flow of urbanization. Fostering the spirit of *Islamic ukhuwah* through economic activities in order to increase per capita income towards an adequate quality of life.

Based on law No. 21 of 2008, article 21 of the activity includes collecting funds from the community in the form of. Furthermore, savings in the form of savings or those that are equated with it based on a *wadi 'ah* contract or other contracts that do not contradict sharia principles. It can also be in the form of investment in the form of deposits or savings or other forms that are equated with it based on *mudharabah* contracts or other contracts that do not contradict sharia principles. Distributing funds to the community in the form of profit-sharing financing based on *mudharabah* or *musharakah contracts* and financing based on *murabahah, salam, or istishna' contracts*. Providing products or conducting other Sharia Bank business activities in accordance with Sharia Principles based on the approval of Bank Indonesia.⁹

People's Credit Bank

Definition of People's Credit Bank

People's Credit Banks (BPR) in accordance with Law No. 1998 concerning banking are banks that carry out business activities conventionally or based on sharia principles which in their activities do not provide services in payment traffic.

The legal form of BPR can be in the form of regional companies, cooperatives, limited liability companies and other forms stipulated by government regulations. In the above sense, it can be concluded that people's credit banks generally carry out limited operational activities, but people's credit banks are financial institutions that can touch the community to remote areas because their existence in rural areas is different from commercial banks. People's credit banks have an important role in their existence and ease of financing/credit for small communities and supporting the regional economy up to a national scale.

Functions of People's Credit Banks

The function of BPR in general is as a business entity that collects and distributes community funds, must be able to support rural modernization and provide banking services for weak economic groups/small entrepreneurs as stated in Law No. 10 of 1998 concerning banking. BPR services are mostly provided to people with small capital, most of whom are in the informal sector. Therefore, the improvement of good performance of management and administration must be improved. In addition to the development of BPR itself, it also concerns the development of the real sector which grows from the informal sector which is the largest part of the community's economy.

Business Activities of People's Credit Bank (BPR)

⁹ Indah Lestari, Thesis: *The Effect of Third Party Funds (DPK), Non-Performing Financing (NPF), Capital Adequacy Ratio (CAR) and Financing To Deposit Ratio (FDR) on Return On Asset (ROA)*, (Jakarta: UIN Syarif Hidayatullah, 2016), pp.14-16.

The activities of people's credit banks are basically the same as those of commercial banks, the only difference is that the number of bank services carried out by people's credit banks is much narrower. Credit banks are overcome by various requirements, so they cannot act as freely as commercial banks.¹⁰

Profitability (Return On Asset)

Profitability in a measure of a company's performance is used to measure a company's ability to generate net income based on a specific asset level. According to Kasmir, profitability is the ability of a company to seek profits. In the profitability ratio, its use is carried out by comparing the existing components of financial reporting, namely the balance sheet and the income statement.¹¹ While the rentability ratio is a tool to analyze or measure the level of business efficiency and profitability achieved by the bank concerned, there are several types of rentability ratios in measuring the efficiency of banks in generating profits with *return on assets*, *return on equity*, operating cost ratio and *net profit margin*

Return On Assets (ROA)

The description of a bank's productivity in managing funds so that it generates profits is called ROA. The *RROA calculation can be obtained by calculating the ratio between profit after tax and total assets.*

$$\text{Return On Asset} = \frac{\text{Laba Sebelum Pajak}}{\text{Total Aset (rata-rata)}} \times 100\%$$

The larger the ROA ratio of a bank, the greater the level of profit achieved by the bank and the better the bank's position in terms of asset use. *Return On Asset* (ROA) has health assessment criteria, which are based on attachment 1 of the Financial Services Authority (SEOJK) Circular Letter number 28/SEOJK.03/2019 concerning the SHARIA BPR health level assessment system, as follows:

Table 2. SHARIA BPR Health Level Assessment Criteria

Rank	Criterion	Information
1	ROA > 1.5%	Very Healthy
2	1.25% < ROA ≤ 1.5%	Healthy
3	0.5% < ROA ≤ 1.25%	Quite Healthy
4	0% < ROA ≤ 0.5%	Unhealthy
5	ROA ≤ 0%	Unhealthy

Source : BI Circular Letter No.6/23/DPNP Year 2004

The weakness of ROA cannot be used as a basis for comparison between companies when there are differences in the application of the same type and fluctuations in the value of money will affect the value of operating assets and profit margins.¹²

BOPO Efficiency Ratio (REO)

The ratio that shows the ability of Islamic banks to use funds to meet the bank's operational costs is called REO. Where the basic operating income of Islamic banks is obtained from profit-sharing income and other operating income. Meanwhile, operational costs are costs

¹⁰ Denny Prayitno, Thesis: *Comparison of the Efficiency Level of Conventional Bpr and Sharia Bpr with the Data Envelopment Analysis (DEA) Approach in Indonesia for the 2012-207 Period.* (Jakarta: UIN Syarif Hidayatullah, 2018), pp.22-25.

¹¹ Dwi F.RM, Niken L, "Analysis of the Influence of Car, Nom, Npf, Fdr, and Bopo on Profitability (Study on Islamic Banking during the Covid-19 Pandemic December 2018 – May 2021)", *Journal of Management, Economics, and Entrepreneur*, Vol.1 No.1, (2022), p.4.

¹² Puji Muniarty, et al. *Corporate Risk Management Management Strategy.* (Cirebon: Insania Publishers, 2021) cet. 1, p.190.

that must be paid by banks to run their business such as profit-sharing costs, marketing costs, and labor costs. Judging from the main function of Sharia Banks as mediators which is in charge of storing funds and distributing funds from the community, so that most of the profits of Islamic banks and operational costs are obtained from financing activities.¹³

The REO ratio is one of the ratios whose change value is most considered because it is included in the criteria for assessing the health level of Islamic banks. When the REO ratio increases, it shows that operational costs also increase so that pre-tax income decreases and the bank's profitability is also lower. Meanwhile, the lower the REO ratio, it shows the bank's success in managing its operating income and controlling operational costs well, which ultimately increases the bank's profitability. To find the percentage of BOPO of Sharia Bank can be calculated with the following formula:

$$BOPO = \frac{\text{Biaya Operasional}}{\text{Pendapatan Operasional}} \times 100\%$$

Meanwhile, to assess the health of Sharia Banks through the BOPO ratio, the following assessment criteria can be used:

Table 3. BOPO Ratio Assessment Criteria

Rank	Criterion	Information
1	BOPO ≤ 83%	Very Healthy
2	83% < BOPO ≤ 85%	Healthy
3	85% < BOPO ≤ 87%	Quite Healthy
4	87% < BOPO ≤ 89%	Unhealthy
5	BOPO > 89%	Unhealthy

Source : BI Circular Letter No.6/23/DPNP Year 2004

Capital Adequacy Ratio CAR

The capital adequacy ratio indicates the ability of the capital to cover the possibility of credit provided along with losses on securities investments. CAR is a financial ratio that provides an indication of whether the existing capital is sufficient to cover the risk that losses will reduce capital. The capital adequacy ratio indicates the ability of the capital to cover the possibility of credit provided along with losses on securities investments. CAR is a financial ratio that provides an indication of whether the existing capital is sufficient to cover the risk that losses will reduce capital.¹⁴

In accordance with OJK regulation No. 21/POJK.03/2014 concerning the obligation to provide minimum capital of Sharia Commercial Banks, article 3 no.1 states that the minimum capital of commercial banks is 8% of the total ATMR (Risk-Weighted Assets) with the first risk profile. Where the amount of ATMR is 12.5 times the capital owned by the bank. For Islamic banks that do not report KPMM calculations, they will receive administrative sanctions as stipulated in OJK regulation No. 21/POJK.03/2014 article 46. How to determine the amount of CAR can be calculated by:¹⁵

$$CAR = \frac{\text{Modal}}{\text{Aset Tertimbang Menurut Resiko}} \times 100\%$$

¹³ Sudarmawanti Erna, "Pramono Joko, "The Effect of CAR, NPL, BOPO, NIM and LDR on ROA (Case Study on People's Credit Banks in Salatiga Registered with the Financial Services Authority in 2011-2015)", Among Makarti Journal, 10.19 (2017), p.5.

¹⁴ Nurul R and Ratna A, "The Influence of Car, Bopo, Npf, and Csr Disclosure on the Profitability of Islamic Banking", Scientific Journal of Wahana Akuntansi, Vol.2 No.8 (2013), p.177.

¹⁵ Mauliydina W and Lucia A.D, "Testing CAR, NPF, FDR, and BOPO on Profitability in Sharia Commercial Banks", ISSN Bina Insani Student Journal: 2528-6919 Vol.4 No.1 (August 2018), p.71.

In the BI (Bank Indonesia) regulation on Capital Adequacy/KPMM of Commercial Banks based on sharia principles, the following are BI's provisions regarding the criteria for assessing the CAR ratio.

Table 2. 1CAR Ratio Assessment Criteria

Rank	Criterion	Information
1	$CAR \geq 12\%$	Excellent
2	$9\% \leq CAR < 12\%$	Good
3	$8\% \leq CAR < 9\%$	Pretty Good
4	$6\% < CAR < 8\%$	Not Good
5	$CAR \leq 6\%$	Bad

Source : BI Circular Letter No.9/24/DPbs Year 2007

Non Performing Loan (NPL)

Non-Performing Loan (NPL) Non-Performing Loan (NPL) is a ratio that measures the ratio of the number of non-performing loans to the total loans contained in BPR. NPL is the ratio between non-performing loans to loans provided. This ratio is used to measure the ability of banks to refute the risk of credit failure by debtors. Based on the Circular Letter, Bank Indonesia stipulates that the maximum fair value of a healthy bank's NPL is 5%.

$$NPL = \frac{\text{Kredit Bermasalah}}{\text{Total kredit}} \times 100\%$$

The higher the NPL/Non-Performing Loan, the higher the loan interest arrears which have the potential to reduce interest income and reduce profit changes. Likewise, the lower the NPL/Non-Performing Loan Ratio, the higher the change in profit. Several studies show that NPLs have a negative effect on changes in profits, the higher the NPL/Non-Performing Loans, the greater the risk of credit disbursed by banks, resulting in lower revenues which will result in a decrease in ROA/. NPLs have a negative effect on ROA.¹⁶

Non Performing Financing (NPF)

NPF is a financial ratio that shows the financing risks faced by banks due to the provision of financing and investment of bank funds in different portfolios. Non-Performing Financing (NPF) is financing that has been channeled by the bank and the customer (debtor) cannot make payments or make repayment installments according to the contract that has been signed by both parties, namely the bank and the customer. The assessment or classification of non-problematic financing and non-problematic financing is carried out quantitatively and qualitatively.¹⁷ Management of financing is very necessary for a bank, considering that the financing function is the largest source of income for Islamic banks. So that the health level of a financing (NPF) also affects profit and adversely affects profitability (ROA).

Factors Causing Problematic Financing

Internal Bank Factors

The analysis is not precise and fast, so banks cannot predict what will happen in the period of time during the financing period.

There was collusion between the customer and the bank that handled the financing, so the bank decided on financing that should not be provided. The bank's knowledge of the type

¹⁶ Mohammad Sofyan, "Factors Affecting the Profitability of People's Credit Banks (BPR) in East Java Province", Journal of Business Inspiration & Management, Vol.3 No.1 (2019), p.67.

¹⁷ Desi Trisnawati, Introduction to Banking (Yogyakarta: Trustmedia, 2013), 110.

of customer business is limited, so the bank cannot conduct analysis precisely, quickly and accurately.

Non-Performing Financing (NPF) is calculated by comparing the amount of non-performing financing with the amount of financing owned by banks. The calculation of NPF is formulated as follows:

$$NPF = \frac{\text{Total Pembiayaan Bermasalah}}{\text{Total Pembiayaan}} \times 100\%$$

If Non-Performing Financing (NPF) shows a low value, it is expected that income will increase so that the profit generated will increase, but on the other hand, if the NPF value is high, the income will decrease so that the profit obtained will decrease.¹⁸ NPF aims to measure the level of financing problems faced by banks. NPF is assessed with ranking assessment criteria consisting of rank 1 (one) to rank 5 (five). The following is a table of NPF assessment criteria:

Table 5. NPF Ratio Assessment Criteria

Rank	Criterion	Information
1	NPF < 2%	Very Healthy
2	2% < NPF ≤ 5%	Healthy
3	5% ≤ NPF ≤ 8%	Quite Healthy
4	8% < NPF ≤ 12%	Unhealthy
5	NPF > 12%	Unhealthy

Source : BI Circular Letter No.9/24/DPbs Year 2007

Based on table 5 of the NPF assessment criteria, the higher the NPF ratio, the worse the bank's credit quality will be, which causes the number of non-performing loans to be greater, the greater the possibility of a bank in a non-performing condition.

The implications for the bank as a result of the occurrence of non-performing financing can be in the form of a loss of opportunity to obtain income from the loans it provides, thereby reducing profit and adversely affecting the bank's profitability. The productive asset quality ratio or better known as BDR (Bad Debt Ratio) is getting bigger and bigger, which describes the worsening situation. Banks must increase the allowance for productive asset reserves clarified based on existing provisions. This will ultimately reduce the size of the bank's capital and will greatly affect CAR.

RESEARCH METHODS

This type of research uses a type of quantitative research, where quantitative type data is data in the form of numbers, or qualitative data that is raised.¹⁹ Generally, quantitative research starts from a deductive approach (general) and then draws inductive (special) conclusions. Where with that an overview or information related to factors affecting banking profitability during Covid-19 in Indonesia is obtained. This research is associative, which is a research method that is carried out to find the relationship between one variable and another, as well as to test and use the truth of a problem or knowledge. In accordance with this understanding, this study was conducted to find out the factors that affect banking profitability during Covid-19 in Indonesia.

¹⁸ Slamet Riyadi and Agung Yulianto, "The Effect of Profit Sharing Financing, Sale and Purchase Financing, Financing to Deposit Ratio (FDR) and Non Performing Financing (NPF) on the Profitability of Sharia Commercial Banks in Indonesia", *Accounting Analysis Journal*, Vol. 3, No. 4, (2014), pp.466-474.

¹⁹ Sugiyono, *Statistics for Research*. (Bandung: Alfabeta, 2012), p.23.

The location in this study is the People's Credit Bank (BPR) and the Sharia People's Financing Bank (SHARIA BPR) Indonesia which are registered with the Financial Services Authority (OJK), where the research location is carried out online through the www.ojk.go.id website. The time in the study is 2020-2022 which was carried out by looking back at past data.

Population and Sample

Population is a generalization area consisting of objects/subjects that have quantities and characteristics to be studied and then conclusions are drawn by researchers.²⁰ The research population is all Sharia BPR and Sharia BPR registered with the Financial Services Authority (OJK) in 2020-2022 as many as 1,441 Sharia BPR and 167 SHARIA BPR.

The determination of the sample in this study was carried out using *the purposive sampling technique*, which is a sampling technique for data sources with certain considerations.²¹ The considerations in determining the sample of this study are all companies registered with the Financial Services Authority (OJK) for two consecutive years from 2020-2021. Based on these considerations, 1,441 Sharia BPR and 167 SHARIA BPR were obtained in the 2020-2022 period which were used as samples in this study.

The data used in this study are quantitative data and secondary data sources. Quantitative data is data that can be measured directly, which is in the form of information or explanations expressed in the form of numbers. In addition, the time dimension of research data uses time series data. Time series or time series data is data that is recorded/collected based on a certain period of time recorded from time to time (annual, semi-annual, quarterly, monthly, weekly, daily, and so on). In this study, the quantitative data used was in the form of data on the BOPO Efficiency Ratio (REO), CAR, NPL/NPF and ROA in BPR and BPR Sharia for the period 2020 to 2022.

The data source that will be used in this study is secondary data. Secondary data is data that is not obtained directly from the source but is obtained from other parties. In this study, the secondary source of data is BPR and BPR Syariah registered with the OJK in 2020-2021 and also literature, articles, and journals.

Data Analysis Techniques

Classical Assumption Test

Before testing the research hypothesis, classical assumption testing is first carried out on the regression equation contained in this study. The classical assumption test consisting of normality, multicollinearity, autocorrelation, and heteroscedasticity tests is intended to determine whether multiple linear regression equations are precisely used to predict profitability.

Hypothesis Testing

The statistical analysis test used to test the hypothesis in this study is by using multiple linear regression. Multiple linear regression analysis is an association analysis that is used simultaneously to examine the influence of two or more independent variables on one variable depending on a metric scale for both independent variables and dependent variables. *Statistical analysis tests are used to test hypotheses in research.*

DISCUSSION

²⁰ Sugiyono, *Qualitative, Quantitative, and R&D Research Methods* (Jakarta: Alfabeta, 2016)

²¹ Sugiyono, *Quantitative, Qualitative and R&D Research Methods* (Bandung: ALFABETA, 2011), p.85.

Before conducting an influence test on independent variables on dependent variables, classical assumption testing is first carried out to obtain unbiased results. The results of the classical assumption test can be seen in tables 6 and 7.

Table 6. Results of the BPR classical assumption test

Tests conducted	BPR		
	Result	Information	Verdict
Data Normality	The entire plot follows a diagonal line	If the plot is diagonal, the data is normal and vice versa.	Normal data
Autocorrelation	DW value 0.243	DU Value 1,864	Autocorrelation free
Multicollinearity	The VIF value ranges from 1	If the VIF is below 10, multicollinearity does not occur and vice versa.	Free of Multicollinearity
Heterokesdatisit y	Does not form a pattern on a scatterplot	Values on scatterplots above 0 are free of heterokesdatisit y and vice versa.	Heterokesdatisit-free

Table 7. Results of the classic assumption test of BPR Syariah

Tests conducted	Sharia BPR		
	Result	Information	Verdict
Data Normality	The entire plot follows a diagonal line	If the plot is diagonal, the data is normal and vice versa.	Normal data
Autocorrelation	DW value 0.187	DU Value 1,864	Autocorrelation free
Multicollinearity	The VIF value ranges from 1	If the VIF is below 10, multicollinearity does not occur and vice versa.	Free of Multicollinearity
Heterokesdatisit y	Does not form a pattern on a scatterplot	Values on scatterplots above 0 are free of heterokesdatisit y and vice versa.	Heterokesdatisit-free

Source: Data processed (2024)

In tables 6 and 7, it is explained that the equation is free from the risk of bias from the results obtained. Furthermore, equations can be used to describe phenomena.

Multiple Linear Regression Analysis

This multiple linear regression test aims to determine the influence of independent variables on dependent variables. The following SPSS output can be seen in table 8.

Table 8. ROA Multiple Regression Results

Variable	BPR ($\alpha=0.1$)			Sharia BPR ($\alpha=0.1$)		
	Coefficient	P Value	Information	Coefficient	P Value	Information
REO	-0.158	0,057	Significant	-0,104	0,048	Significant
CAR	0.005	0,842	Insignificant	0,089	0,004	Significant
NPL	0.142	0,177	Insignificant	0,173	0,036	Significant
F Calculate	2.347	0,149	Insignificant	10.444	0,004	Significant
R Square	46,8%	-	-	79,7	-	-

Source: Data processed (2024)

From table 8, it can be explained that REO in BPR and SHARIA BPR is negatively correlated and has a significant effect on ROA. Therefore, if the REO decreases, it will provide an increase in ROA for BPR and Sharia BPR in Indonesia. CAR is positively correlated with ROA for BPR and Sharia BPR. Where only CAR in Sharia BPR has a significant effect on ROA. This can be interpreted that when the CAR at Sharia BPR increases, it will provide an increase in Sharia BPR ROA. NPLs are positively correlated with ROA in both BPR and Sharia BPR. For the effect on ROA from NPLs, only SHARIA BPR has a significant effect. Therefore, it can be explained that the increase in NPL will increase ROA and vice versa.

For REO, CAR and NPL together will have a significant influence on ROA for SHARIA BPR and not significantly affect BPR. Where in BPR, REO, CAR and NPL factors contributed 46.8% and 53.2 were influenced by factors outside the study. In Sharia BPR for REO contribution, CAR and NPL contributed 79.7% to ROA and 20.3% from factors not studied.

The results of this study are in line with research conducted by Zulifiah and Susilowibowo (2014), Diantama (2015), Husaeni (2017) who stated that NPF has a positive effect on ROA. However, this is contrary to the results of research by Hendra Lingga Yana, I Ketut Kirya, I Wayan Suwendra (2014), which stated that NPF has a negative effect on *Return on Asset* (ROA). This can be interpreted that the larger the number of non-performing loans that occur, the smaller the amount of profit that will be obtained by the bank.

This study is also the same as the results of Muhammad Sanusi and Siti Zulaikha (2019) that CAR has a significant positive effect. Fitra Rizal (2016) that partially only the CAR variable has no effect on the ROA of Sharia People's Financing Banks in Indonesia for the 2012-2015 period, contrary to the results of the study. Sutrisno (2017) research shows that NPLs in Sharia BPR do not have a significant effect on the same as the results of the study and are contrary to Sharia BPR where NPFs of Sharia BPR have a significant negative effect on performance.

CONCLUSION

Sharia BPR's performance was better than BPR during Covid 19 both in REO, CAR and NPL assessments for ROA. Where REO, CAR and NPL directly have a positive impact on SHARIA BPR's performance. On the other hand, in BPR, only REO has a direct impact on performance (ROA) during the Covid 19 period. The interesting thing is that during the Covid 19 period, the increase in non-performing loans (NPL) can provide increased profits or performance to SHARIA BPR.

It is expected to always maintain the level of capital adequacy, so that in the end with the adequacy of the level of capital adequacy, the bank's financial performance will increase. In addition, operational costs and operating income of a bank are the most important factors because operational costs and operating income greatly affect the amount of profit obtained and banks are expected to reduce the REO ratio by reducing the amount of operational costs. It is expected to pay attention to and control the movement of financial ratios so that the bank is always at an efficiency level that can generate optimal profits so that the bank's condition is also healthy.

REFERENCES

Ahmad A.P. (2021). Analysis of the Development of the Health Level of Sharia People's Financing Bank (SHARIA BPR) with the CAMEL Method. *Thesis*. Jakarta: UIN Syarif Hidayatullah.

- Aniesatul, N.A., & L.R. (2021). Comparison of the performance of Sharia People's Financing Banks and People's Credit Banks in Indonesia. *Journal Islamic Banking and Finance*, 1(2), 135.
- Denny P. (2018). Comparison of the efficiency level of conventional BPR and Sharia BPR with the Data Envelopment Analysis (DEA) approach in Indonesia for the period 2012-2017. *Thesis*. Jakarta: UIN Syarif Hidayatullah.
- Desi T. (2013). *Introduction to Banking* (Yogyakarta: Trustmedia), p. 110.
- Dwi, F.R.M & niken L. (2022). Analysis of the Influence of Car, Nom, Npf, Fdr, and REO on Profitability (Study on Sharia Banking during the *Covid-19 Pandemic* December 2018 – May 2021). *Journal of Management, Economics, And Entrepreneur*, 1(1), 1-105.
- Fitra Rizal. (2016). The Effect of Capital Adequacy Ratio, Non-Performing Finance and Operational Efficiency Ratio on the Profitability of Sharia People's Financing Banks. *Journal of Muslim Heritage*, 1(1), 179-195.
- Gusti A.Y.A. (2021). Comparative Analysis of the Liquidity Level of People's Credit Banks Before and After the Implementation of the Credit Restructuring Policy Due to the Covid-19 Pandemic. *Thesis*. Singaraja: Ganesha University of Education.
- Indah L. (2016). The Effect of Third Party Funds (DPK), Non-Performing Financing (NPF), Capital Adequacy Ratio (CAR) and Financing To Deposit Ratio (FDR) on Return On Asset (ROA). *Thesis*. Jakarta: UIN Syarif Hidayatullah.
- M. Nur, R.A.A. (2017). *Sharia Financial Institutions*, (Bandung: CV Pustaka Setia, p. 197.
- Mauliydina, W & Lucia, A.D. (2019). CAR, NPF, FDR, and REO testing
- Mohammad Sofyan. (2019). Factors Affecting the Financial Performance of Sharia BPR in Indonesia. *Journal of Management Science*, 5(2), 88-94.
- Muhammad S & Siti Z. (2019). The Impact Of Bank-Specific And Macroeconomic Variables On Profitability Of Islamic Rural Bank In Indonesia. *Isla Economic Scientific Journal*, 5(3), 317-325.
- Muhammad. *Islamic Economic Institute*. (Yogyakarta: UPP STIM YKPN, 2017), p. 203.
- Nurul Ichsan & R. Rizny Anindya Reswanty. (2021). The Effect of FDR, NPF, CAR, and REO on Roa in Sharia People's Financing Banks (SHARIA BPR). *Rabbani Economic Journal*, 1(2), 145-157.
- Nurul R & Ratna A. (2013). The Influence of Car, REO, Npf, and Csr Disclosure on the Profitability of Islamic Banking. *Scientific Journal of Wahana Akuntansi*, 2(8), 177.
- Poernaningrum S.W & Ismunawan. (2021). The Impact of the Covid-19 Pandemic on the Profitability of Conventional People's Credit Banks in Sukoharjo Regency. *Journal of Business and Accounting* P-ISSN: 1410 – 9875, 23(1), 166.
- Ratnawaty, M. (2018). Factors Affecting the Profitability of Sharia Commercial Banks in Indonesia. *Ecodemica Journal*, 2(1), 74-85.
- Rohidatul F. (2021). Analysis of the Efficiency Level of Sharia People's Financing Banks in Indonesia. Comparative Study: Before and During the Covid-19 Pandemic. *Thesis*. Yogyakarta: Islamic University of Indonesia.
- Siti R., M. Y., & Niken S.P. (2018). The Impact Of Car, REO, Npf, Fdr, Dpk, And Profit Sharing On Roa Of Sharia Banks Listed In Bank Indonesia (Study At Sharia Commercial Banks). *International Conference On Technopreneurship And Education*, 240-245.
- Slamet R & Agung Y. (2014). The Effect of Profit Sharing Financing, Sale and Purchase Financing, Financing to Depost Ratio (FDR) and Non-Performing Financing (NPF) on the Profitability of Sharia Commercial Banks in Indonesia. *Accounting Analysis Journal*, 3(4), 466-474.

- Sudarmawanti, E & Pramono, J. (2017). The Effect of CAR, NPL, REO, NIM and LDR on ROA (Case Study on People's Credit Banks in Salatiga Registered at the Financial Services Authority in 2011-2015). *Journal of Among Makarti*, 10(19), 5.
- Sugiyono. (2011). Quantitative, Qualitative and R&D Research Methods, (Bandung: ALFABETA), p. 85.
- Sutrisno. (2017). Risk and Performance of People's Credit Banks: A Comparative Study Between Sharia and Conventional BPR in Indonesia. *Journal of Socio-Religious Research*, 11(2), 309-328.
- on profitability in sharia commercial banks . *Journal of Bina Insani Students*, 4(1), 69-80.
- Wahyu A.P.S. (2022). The Effect of Capital Adequacy, Asset Growth, REO, Dpk, Financing, Npf, and Fdr on the Roa of Sharia Commercial Banks for the 2011-2020 Period. *Thesis*. Malang: UIN Maulana Malik Ibrahim.
- Wahyu, I.K. & Azhar A. (2019). Analysis Of Impact Of Car, REO, Npf On Profitability Of Islamic Banks (Year 2015-2017). *Journal Of Islamic Economic Laws*, 2(1), 30-59.