The International Journal of Social Sciences World
TIJOSSW is Available Online at:
https://www.growingscholar.org/journal/index.php/TIJOSSW
Vol. 6 No. 2, July-December 2024, pages: 171~184
DOI: https://doi.org/10.5281/zenodo.14533343
ISSN **2690-5167**
Growingscholar Publisher

Analysis of Financial Performance, Credit, and Liquidity Risk, as well as Profitability and Capital Aspects at Rural Banks

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Article history:
Received: September 22, 2024; Accepted: December 10, 2024; Displayed Online: December 12, 2024; Published: December 30, 2024

Keywords

Merger;

Rural Bank (BPR);

Financial Performance;

Core Capital;

Abstract

The study aims to analyze the performance of 50 Banks (BPRs) that carried out the merger process in 2014-2020 with a data period of one year before and three years after the merger. The study aims to provide an overview of the condition of BPRs after three years of merger, whether they have shown good performance or otherwise. This is related to the synergy theory, which plays a very important role in determining the success of a merger and producing a healthy BPR with strong competitiveness. Results research on 50 BPRs after three years of merger showed differences in assets, third-party funds, credit, and liquidity risk, while in profit, NPL ratio, LDR, profitability aspects, and capital aspects did not differ. In addition, the results of the correlation study showed a significant relationship between assets, third-party funds, credit, NPL, and profit to core capital, thus reflecting that the merger process can increase core capital. BPRs that merge must create synergy so that the purpose of the merger is to produce healthy BPRs with strong competitiveness. This synergy includes management, human resources, work culture, information technology, standard operating procedures (SOP), a span of control, and the determination of business models. Considering that mergers are an obligation that must be carried out for BPRs owned by the same shareholders and for BPRs that cannot meet the core capital requirements, efforts are needed to accelerate the merger by providing sweeteners so that the merger becomes attractive to shareholders and investors, including accelerating the merger licensing process, making it easier initial Public Offering (IPO) as well as tax relief and legal costs.

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1. Introduction

The history of the birth of the People's Credit Bank began during the Dutch colonial period in the 19th century, known as the Village Granary, Village Bank, Farmer's Bank and Village Trading Bank to help farmers, employees and laborers to free themselves from loan sharks. In 1929, the Village Credit Agency (BKD) was established on the islands of Java and Bali. After Indonesia's independence, the government encouraged the establishment of market banks aimed at providing financial services to market traders. These market banks were then confirmed as People's Credit Banks based on the 1988 pact (Ruane, F et al., 2017).

The government issued banking deregulation known as the October 1988 Package (Pakto 88), including regulating the capital of the People's Credit Bank (BPR) of IDR 50 million which encouraged the establishment of many BPRs during that period. Improvement of regulations governing BPRs starting from Law No. 7 of 1992 concerning Banking and its amendments in Law No. 10 of 1998 and finally Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector (UU PPSK). The BPR business continues to grow until the number reaches 1,575 BPRs at the end of 2013 and generally operates in a limited area (provinces and districts) with business activities divided conventionally as many as 1,402 BPRs and Sharia as many as 173 BPRS. The role of BPR in improving the regional economy has become a government concern with the issuance of the PPSK Law, the term Rural Credit Bank has been changed to People's Economic Bank (Boetang,2009).

The wide scope of BPR business activities opens up opportunities for the BPR industry to be more competitive through product and service diversification that can be offered to customers. Consolidation of BPR institutional strengthening is also needed in facing these challenges, especially strengthening capital to support increasingly complex operational activities and as a risk protector.

Table 1.
Banking Performance Achievements 2022 and 2023

Keterangan	BPR/BPRS		BUK/BUS		Porsi BPR terhadap BU	
	2022	2023	2022	2023	2022	2023
Aset	202	218	11.113	11.766	1,82%	1,85%
DPK	140	153	8.154	8.458	1,72%	1,81%
Kredit	144	163	6.498	7.187	2,21%	2,26%
Laba	3	2	202	288	1,72%	0,80%
Entitas	1.608	1.575	106	105	1516,98%	1500,00%

Source: Financial Services Authority, Indonesian Banking Statistics, 2023

Based on the Indonesian Banking Statistics data published by the Financial Services Authority, in general the banking business conditions of both Commercial Banks and People's Economic Banks in the last 2 years (2022 and 2023) have increased except for the achievement of BPR industry profits which decreased from 3 trillion to 2 trillion.

The business capacity of BPRs is still far compared to commercial banks as reflected in the achievement of assets, third party funds, credit and profits in 2023 at People's Economic Banks when compared to commercial banks, which were only 1.85%, 1.81%, 2.26% and 0.80% respectively.

Figure 1.
Roadmap for Development and Strengthening of BPR Industry 2024 – 2027



Source: Financial Services Authority, Roadmap for Development and Strengthening of BPR, 2024

The Financial Services Authority launched the 2024-2027 BPR Development and Strengthening Roadmap divided into four pillars, namely structural strengthening and competitiveness, digitalization acceleration, strengthening the role of BPR in the region and strengthening regulations, licensing, and supervision. The realization of the roadmap is highly dependent on the strength of the internal side of BPR, namely leadership and change management, Human Resources (HR) capacity, information technology and sectoral collaboration.

The focus of the first pillar of structural strengthening and competitiveness consists of three main components, namely strengthening capital, accelerating consolidation and strengthening the implementation of governance and risk management which can be realized through the process of mergers, amalgamations and takeovers. Enforcement of consolidation in the context of structuring the BPR and BPRS industry is mainly carried out for BPR and BPRS owned by the same Controlling Shareholder (SP) or in the same 1 (one) group by considering the potential for similarities or similarities in business strategies, organizational structure and culture and IT infrastructure.

The Financial Services Authority issued OJK Regulation (POJK) Number 7 of 2024 dated April 24, 2024 concerning People's Economic Banks and Sharia People's Economic Banks. The POJK regulates, among other BPRS with the same ownership and/or control of PSP located in one main island or archipelago area are required to carry out a merger or amalgamation no later than 2 (two) years since the provisions come into effect, while BPR or Sharia BPR owned by the regional government are required to complete the merger or amalgamation process no later than 3 (three) years since the provisions come into effect.

Prior to that, OJK issued Regulation No. 5/POJK.03/2015 on March 31, 2015 and No.No.66/POJK.03/2016 on December 23, 2016based on BPR business that focuses on providing services to micro, medium and small entrepreneurs and communities in regions that have unique characteristics, such as less efficient operations and difficulty in obtaining financial assistance when facing structural problems. Therefore, BPR needs to be supported by sufficient capital to overcome the potential risks it faces, which are reflected in the KPMM ratio and core capital ratio. According to the OJK Regulation, the obligation to fulfill a minimum core capital of IDR 6 billion by the end of 2024

for BPR and 2025 for BPRS. BPRs that are unable to achieve the minimum core capital obligation referred to by the specified deadline, BPR can be asked to carry out a merger or amalgamation process.

The capital aspect plays an important role in the BPR business and is directly proportional to the scale of the BPR business, namely the larger the BPR business, the greater the capital needed to absorb the risk. Losses experienced by BPR will erode BPR capital and result in a decrease in the Minimum Capital Requirement (KPMM) ratio, even the worst impact will cause BPR to be determined by OJK in the status of Bank Under Restructuring (BDP) and lead to the revocation of its business license.

Based on liquidated bank data (www.lps.go.id), there are 21 BPRs that have undergone liquidation since 2020 - 2023, mainly due to solvency problems due to shareholders being unable to improve their capital. One of the efforts to improve the health of BPRs experiencing solvency is through the merger and consolidation process.

The results of collaborative research between the Financial Services Authority, Bank Indonesia, and the Deposit Insurance Corporation in 2021 regarding the analysis of the impact of banking consolidation on the resilience of Indonesian banking can be presented as follows:

1. The research findings show that the choice of consolidation strategy will have a significant impact on the efficiency and resilience of the banking industry in the future.
2. The consolidation process at the individual bank level can impact performance, business scope, and resilience, both individually, in the system, and across the economy as a whole.
3. Potential risks that may arise include: (i) increased bank competitiveness that can increase overall profitability, but is not necessarily followed by increased bank efficiency; (ii) increased interconnection between banks that can increase systemic risk and banking complexity, which needs to be considered in selecting resolution options when a bank fails; (iii) increased credit risk due to risky credit acquisitions from banks experiencing problems; and (iv) increased cost burdens.

Since the shift in banking supervision functions in 2014 from being under the coordination of Bank Indonesia, the Financial Services Authority has issued 83 merger permits until the end of 2023. Quoting from the websitehttps://bprmodex.com, The Financial Services Authority has approved the merger of 10 (ten) BPRs that are members of the Modern Express group. Nine BPRs, namely PT BPR Irian Sentosa, PT BPR Palu Lokadana Utama, PT BPR Modern Express Jateng, PT BPR Modern Express NTT, PT BPR Modern Express Sultra, PT BPR Modern Express South Sulawesi, PT BPR Modern Express West Papua, PT BPR Modern Express North Maluku, and PT BPR Modern Express Sulut officially merged into PT BPR Modern Express in April 2023.

Corporate action in the form of merger carried out by BPR Modern Express Group as a form of BPR strengthening strategy to prepare themselves to face broader business development challenges as mandated by the P2SK Law by merging all BPRs incorporated in the ownership of PT Modern Express which operates in 15 provincial areas and the most in eastern Indonesia. Financial developments before and after the merger show positive growth as in the BPR published financial report in the following table:

Table 2.
Financial Development of Merger Results of PT BPR Modern Express
December 2022 – December 2023

(In Billion Rupiah)

No.	Indikator Keuangan	Des 2022	Maret 2023	Juni 2023	Sep 2023	Des 2023
1	Aset	6.720	6.872	6.733	6.656	6.921
2	Kredit	5.937	6.293	6.107	6.186	6.270
3	Dana Pihak Ketiga	3.065	3.272	3.338	3.303	3.269
4	Laba th berjalan		51.375	139.073	197.619	253.356

Source: PT BPR Modern Express Website, Published Financial Report, 2024.

Figure 1.1
Roadmap for Development and Strengthening of BPR Industry 2024 – 2027



Source: Financial Services Authority, Roadmap for Development and Strengthening of BPR, 2024

In 2024, OJK issued a regulation requiring mergers for BPRs owned by the same Controlling Shareholder and located in the main archipelago (Java, Sumatra, Kalimantan, Sulawesi, Bali-Nusa Tenggara and Maluku-Papua). Previously, in 2015 and 2016, OJK issued regulations requiring BPRs and BPRs to have a minimum core capital of IDR 6 billion by the end of 2024 for BPRs and 2025 for BPRS, and if this is not achieved, BPRs/BPRSs are required to merge/consolidate/acquire.

At a press conference on June 10, 2024, the Chief Executive of Banking Supervision (KEPP) of OJK said that based on April 2024 data, there were 356 BPR and BPRS with core capital of less than IDR 6 billion. In addition, at the 2023 Financial Services Industry Annual Meeting (PTIJK) on February 6, 2023, KEPP OJK also announced that there would be a plan to consolidate 600 BPR/BPRS that are members of the group.

Indonesia recorded a history of successful large bank mergers, namely the merger of Bank Exim, Bapindo, BDN and BBD into one to form Bank Mandiri in 1999. Bank Mandiri experienced rapid growth, reflected in profits that were originally IDR 1.8 trillion in 2000 increasing to IDR 5.3 trillion in 2021, and reaching IDR 41.2 trillion in 2022 (PT Bank Mandiri (Persero) Tbk.). The above conditions are in contrast to the merger of Bank Pikko and Bank Danpac into Bank Century (formerly

Bank CIC) on December 28, 2004. After the merger, Bank Century's performance worsened and on November 20, 2008, the BI Board of Governors Meeting determined Bank Century as a Failed Bank which was suspected of having a systemic impact.The history of successful bank mergers will be the basis for consideration for shareholders in determining the corporate actions of the BPRs they own.

Kasmir (2011) stated the purpose of the merger, namely for bank health, capital strengthening, improving governance, improving administration and expanding the market. In line with that, (Eugenia Mardanu and Muliaman D. Hada, 2005) stated after the merger of Bank Mandiri and Bank Danamon that a good merger process will encourage banks to achieve economic scale, internal consolidation is needed to accelerate consolidation where the longer the consolidation is achieved, the longer the inefficiency in the bank and mergers between banks with poor performance make the consolidation process longer.

Several studies have stated that mergers have a positive impact on improving bank performance, namely on ROA and LDR.PD. BPR-BKK Lasem (Mokh. Suwarno, 2008), financial performance ratio, efficiency, assets, credit and income at PD BPR BKK Purwodadi (Suwardi, 2008), ROE, ROA and BOPO at Bank Syariah Indonesia (Saiful Habib, 2023) and ROA, ROE and LDR ratios at Bank CIMB Niaga (Ika Sisbintari, 2008). On the other hand, several research results show that mergers have a negative impact on bank performance, namely profitability at four Commercial Banks (Kurniawan, 2015), CAR at six Commercial Banks (Sujatmika and Suryaningsum, 2014).

Meanwhile, Shixia Lu's research (2018) stated that the integration process in the merger and acquisition stages will remain the key to the success of mergers and acquisitions, so determining the integration pattern and appropriate choice factors remains important to understand the success or failure of merger and acquisition integration. In line with that, in his book, (Josua et al, 2016) conveyed the need for integration in the merger process that forms a strong synergy in determining the success of the merger.

In connection with the issuance of OJK Regulation regarding Single Present Policy, namely the obligation to merge for BPRs owned by Controlling Shareholders (PSP) and the historical facts of bank mergers in Indonesia and the results of previous studies that bank mergers have positive or negative impacts, research is needed, especially on the performance of BPRs that have merged. The results of the study are expected to provide stakeholders with an overview of the condition of the merged BPRs and input to achieve the success of the BPR merger.

The object of the research is BPRs that have carried out the merger process in the period since the transfer of banking supervision functions from Bank Indonesia to OJK in 2014 as an implementation of the mandate of Law Number 21 of 2011 concerning the Financial Services Authority. The BPR merger period that was the research sample from 2014 to 2020 was 167 BPRs that merged into 50 BPRs. The financial data analyzed was financial data before the merger of 167 BPRs (one year) and after the merger of 50 BPRs (one to three years).

Table 3.
List of Number of BPR Mergers from 2014 to 2020

No.	Period	Merger Participants	Merger Results
1	2014	-	-
2	2015	8	2
3	2016	11	4
4	2017	14	4
5	2018	29	8
6	2019	63	16
7	2020	42	16

	Amount	167	50

Source: Processed research data, 2024

Based on the discussion above, the research problem can be formulated, namely whether the merger of 50 BPRs (2014 - 2020) has succeeded in creating synergy to improve performance as measured by finance (assets, third party funds, credit, and profit), improving credit risk management (NPL ratio) and liquidity risk (LDR and CR), increasing profitability (ROA and BOPO ratios) and capital (CAR). In addition, with the merger, can core capital be met from normal BPR activities without the need for additional capital from shareholders. The research hypothesis is as follows:

H1 : There are differences in financial performance in the form of assets, third party funds, credit and profits in 50 BPRs after three years of merger.
H2 : Credit risk management (NPL ratio and nominal NPL) improved in 50 BPRs after three years of merger.
H3 : Liquidity risk management (LDR and CR) has improved in 50 BPRs after three years of merger.
H4 : Profitability (ROA and BOPO ratios) improved in 50 BPRs after three years of merger.
H5 : Capitalization (CAR and core capital) improved in 50 BPRs after three years of merger
H6 : Assets, third party funds, credit, profit and NPL significantly affect core capital in 50 BPRs after three years of merger.

2. Method

Quantitative Data According to (Sugiyono, 2010) quantitative data is a type of data that can be measured or calculated directly, in the form of information or explanations expressed in numbers or in the form of figures. This study uses a quantitative approach by utilizing secondary data derived from BPR published financial reports and OJK data. The data period used is the position one year before the merger and one to three years after the merger. The researcher included BPRs that carried out the consolidation process because the purpose of mergers and consolidations is basically the same, namely to make two or more companies into one.

The selection of the period is based on consideration of previous research results which suggest the use of data with a period of more than one year. In addition, According to (Gaughan, 2011) in his book entitled "Mergers, Acquisition, and Corporate Restructuring", bankruptcies are divided based on the length of operations which are dominated by the period 0 to 3 years at 29.5%, so that this period becomes a benchmark that can be used as a reference as a crucial time to determine the success of a merger.This study uses a quantitative approach by utilizing secondary data derived from BPR published financial reports and OJK data.

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3. Results and Discussion

Result

Research with a quantitative approach uses secondary data from published financial reports of 167 BPRs that merged into 50 BPRs using Statistical Product and Service Solutions Version 25. The performance of the merged BPRs was analyzed by conducting a difference test by comparing the financial position one year before the merger (T-1), one year after the merger (T+1), two years after the merger (T-2) and three years after the merger (T-3).

Normality Test

Before conducting the average difference test, a data normality test was conducted to determine whether the data was normally distributed or not. The Normality Test was conducted to determine the difference test tool to be used. The normality test used the Kolmogorov-Smirnov test because the number of samples reached 50.

H0 : Data is normally distributed

H1 : Data is not normally distributed.

If the significance is greater than 0.05 (p>0.05) then H0 is accepted with the conclusion that the data is normally distributed. Conversely, if the significance is less than 0.05 (p<0.05) then H0 is rejected with the conclusion that the data is not normally distributed.

Table 4.

Data Normality Test Results for 50 BPRs

Variables	T-1	T+1	T+2	T+3
Asset	0,000	0,000	0,000	0,000
Third-party funds	0,000	0,000	0,000	0,000
Credit	0,000	0,000	0,000	0,000
Profit	0,000	0,000	0,000	0,000
NPL Ratio	0.001	0.021	0,000	0.011
NPL Nominal	0,000	0,000	0,000	0,000
LDR	0.200	0.071	0.200	0.003
CR	0,000	0.089	0.033	0.018
ROA	0.200	0.007	0.031	0.093
BOPO	0.042	0.193	0.020	0.200
CAR	0,000	0,000	0,000	0,000
Core Capital	0,000	0,000	0,000	0,000

Source: Processed research data, 2024

4. Conclusion

The results of the normality test show absolute significance less than 0.05 (p <0.05) namely in the variables of assets, third party funds, credit, profit, NPL ratio, nominal NPL, CAR and core capital. Other variables are LDR, CR, ROA, and BOPO although some data at certain positions show significance greater than 0.05 (p> 0.05) but there is also data with significance less than 0.05 (p <0.05). Thus all data can be concluded not normally distributed.

Friedman Difference Test

Furthermore, because all data is not normally distributed, it does not meet the ANOVA test criteria, so the difference test is carried out using the Friedman test.
H0: There is no difference in variables in 50 BPRs after three years of merger.
H1: There are differences in variables in 50 BPRs after three years of merger.

If the significance is greater than 0.05 (p>0.05) then H0 is accepted with the conclusion that there is no difference in variables in 50 BPRs after three years of merger. Conversely, if the significance is less than 0.05 (p<0.05) then H0 is rejected with the conclusion that there is a difference in variables in 50 BPRs after three years of merger.

Table 5.
Friedman Test Results 50 BPR

Variables	N	Chi-Square	Df	Asymp. Sig.	Conclusion
Asset	50	24,072	3	0,000	Different
Third-party funds	50	25,848	3	0,000	Different
Credit	50	22,752	3	0,000	Different
Profit	50	6,600	3	0.086	No Different
NPL Ratio	50	23,729	3	0,000	Different
NPL Nominal	50	5,088	3	0.0165	No Different
LDR	50	0.439	3	0.932	No Different
CR	50	55,728	3	0,000	Different
ROA Ratio	50	5.381	3	0.146	No Different
BOPO Ratio	50	5,004	3	0.172	No Different
CAR	50	7,064	3	0.070	No Different
Core Capital	50	33,672	3	0,000	Different

Source: Processed research data, 2024

The results of the Friedman test are as follows:

1. Financial indicators in 50 BPRs in the form of assets, third party funds and credit show a significance of less than 0.05 (p<0.05) then H0 is rejected or looks different after three years of merger. Meanwhile, the significance of profit is greater than 0.05 (p>0.05) then H0 is accepted or the profit does not look different.

2. The NPL ratio in 50 BPRs shows a significance of less than 0.05 (p<0.05) so H0 is rejected or looks different after three years of merger. Meanwhile, the significance of the nominal NPL is greater than 0.05 (p>0.05) so H0 is accepted or does not look different.
3. The CR ratio in 50 BPRs shows a significance of less than 0.05 (p<0.05) then H0 is rejected or looks different after three years of merger. Meanwhile, the significance of LDR is greater than 0.05 (p>0.05) then H0 is accepted or does not look different.
4. The ROA and BOPO ratios in 50 BPRs show a significance of less than 0.05 (p<0.05), so H0 is rejected or looks different after three years of merger.
5. Core capital in 50 BPRs shows a significance of less than 0.05 (p<0.05) then H0 is rejected or looks different after three years of merger. Meanwhile, CAR is greater than 0.05 (p>0.05) then H0 is accepted or does not look different.

Correlation Test of Assets, Third Party Funds and Credit to Core Capital in 50 BPRs.

Simultaneous significance test F is conducted to determine the effect of independent variables (Total Assets, Credit, Third Party Funds, Profit and NPL) on the dependent variable (Core Capital). Simultaneous Test (F Test) According to (Situmorang, 2014), the F test is used to determine the simultaneous effect of independent variables on the dependent variable. The F test tests whether the proposed hypothesis is accepted or rejected with an alpha value = 0.05 (5%).

Table 6.
Simultaneous Significance Test Results F 50 BPR

Model	Sum of Squares	df	Mean Square	F	Sig
Regression	2.913E17	5	5.827E16	767,970	0,000
Residual	1.442E16	190	7.587E13		
Total	3.058E17	195			

Source: Processed research data, 2024

The results of the simultaneous significance test F are 0.000 or less than 0.05, so it is concluded that the independent variables (Assets, Third Party Funds, Credit, NPL and Profit) simultaneously or together have a significant effect on the dependent variable (Core Capital).

Partial T Test

The T-test is intended to determine how far the influence of one independent variable (Assets, Third Party Funds, Credit, NPL and Profit) individually in explaining the dependent variable (Core Capital), the testing criteria with a significance level (a) = 0.05 is determined if the significance value is greater than 0.05 then the independent variable does not have a significant effect on the dependent variable and vice versa if the significance value is less than 0.05 then the independent variable has a significant effect on the dependent variable.

Table 7.
Partial T-Test Results of Core Capital of 50 BPRs

Capital	Standardized Coefficients	t	Sig
	Beta		
(Constant)		5,635	0,000
Asset	1,842	7,707	0,000
Credit	0.260	3.247	0.001
Third-party funds	-1,061	-4.904	0,000
Profit	0.092	3.262	0.001
NPL	-0.069	-3.068	0.002

Source: Processed research data, 2024

The results of the T test are as follows:

1. Assets have a significance value of 0.000 which is less than 0.05 (P<0.05) so that assets have a significant effect on core capital.
2. Credit has a significance value of 0.001 which is smaller than 0.05 (P<0.05) so that credit has a significant effect on core capital.
3. Third Party Funds have a significance value of 0.000 which is less than 0.05 (P<0.05) so that Third Party Funds have a significant effect on Core Capital.
4. Profit has a significance value of 0.001 which is smaller than 0.05 (P<0.05) so that profit has a significant effect on core capital.
5. NPL has a significance value of 0.002, which is smaller than 0.05 (P<0.05), so NPL has a significant effect on Core Capital.

5. Discussion

Financial Performance of 50 BPRs after three years of merger

Financial performance after three years of merger measured from the variables of assets, third party funds, credit shows a difference, while in profit it is inversely proportional, showing no difference. Thus, the hypothesis of an increase in assets, third party funds and profit in BPR after the merger is proven while the hypothesis of profit does not prove any difference.

The results of the study are in line with (Suwardi's, 2008) except for profit. Suwardi concluded that in terms of financial performance ratios, efficiency, assets, credit and income all improved after the merger, and non-performing loans also improved after the merger of PD BPR BKK Purwodadi.

Further testing shows that differences in assets and third party funds occurred from one year before the merger to three years after the merger, except for credit which looked different after the first year period. This condition can show the realization of synergy in 50 BPRs at the time of the merger, especially in the activities of collecting third party funds and distributing credit, but it has not been optimal in contributing to profit.

Credit risk in 50 BPRs after three years of merger

The NPL ratio is an inherent risk factor that greatly influences credit risk assessment. The results of the study showed a significant difference in the NPL ratio after 3 years of BPR merger. Further testing showed the number of BPRs with higher NPL ratios starting from the first period to the third

year after the merger. This condition can show synergy that has not been created considering that the NPL ratio has not improved after the merger which has an impact on profit in testing shows results that are not significantly different.

Liquidity in 50 BPRs after three years of merger

The results of the liquidity test reflected in the Loan to Deposit Ratio (LDR) showed no real difference after three years of the merger of 50 BPRs. LDR, which is a comparison between the amount of credit and the amount of funds, can describe the level of intermediation of a bank (collecting funds and distributing them in the form of credit). Based on the results of the study, the LDR at 50 BPRs did not look different, so it can describe a level of intermediation that is not yet optimal because the collection of funds cannot be fully distributed in the form of credit.

Meanwhile, the test results on the Cash Ratio variable of 50 BPRs showed a difference after three years of merger. The real difference occurred mainly in the period one year before the merger compared to one year to three years after the merger. In line with the results of the LDR study which showed that the suboptimal distribution of credit caused increasing funds which had an impact on increasing liquid assets and led to an increase in the Cash Ratio. Thus, the results of the study prove the hypothesis that there is a difference in liquidity after three years of the merger of 50 BPRs.

Profitability after three years of merger of 50 BPRs

The profitability test on the ROA and BOPO ratios shows that the results of both ratios in the 50 BPRs do not experience any difference after three years of merger. This is in line with the profit test which shows that the conditions are not different in the 50 BPRs after three years of merger.

The results of this study are inversely proportional to the results of the study (Saiful Habib, 2023) concluded that there were significant differences in the ROE, ROA and BOPO variables before and after the merger of Bank Syariah Indonesia.

In addition, research (Ika Sisbintari, 2008) concluded that post-merger at Bank CIMB Niaga, profitability (ROA and ROE ratios) and credit (LDR) increased. However, the data sample used is different from the research with the amount of data as many as 50 BPRs and a time period of up to three years after the merger.

Capitalization of 50 BPRs after three years of merger

The results of the capitalization test show no difference in CAR.at 50 BPRs after three years of merger. Based on OJK Regulation Number 5/POJK.03/2015, the calculation of CAR is a comparison between the amount of capital and Risk Weighted Assets (RWA) and in the calculation of capital consists of paid-in capital plus, among others, profit factors and is reduced if there is a loss condition. Thus, the results of the CAR test at 50 BPRs after three years of merger are in line with the results of the profit test which also shows no difference in profit after three years of merger.

The results of this study are in line with pThe study (Sujatmika & Sri Suryaningsum, 2014) concluded that the average CAR after the merger decreased, this shows that the bank's ability to cover its risk of losses decreased in six general banks resulting from the merger, namely Bank Permata Tbk, Bank Mutiara Tbk, Bank Artha Graha Internasional Tbk. Bank Windu Kentjana International Tbk, Bank CIMB Niaga Tbk and Bank OCBC NISP Tbk (Tarigan,2016).

The relationship between independent variables (assets, third party funds, credit, NPL and profit and loss) and dependent variables (core capital).

From the test, it can be seen that there is a quite significant relationship between the independent variables, namely assets, third party funds, credit, NPL and profit and loss with the dependent variable, namely core capital, which is quite high, both simultaneously together (combined) and individually as independent variables.

6. Conclusion

Based on the results of the research on financial performance analysis, credit and liquidity risk as well as profitability and capital aspects after three years of mergers in 50 BPRs that merged from 2014 to 2020, the following conclusions can be drawn:

1. The financial performance of 50 BPRs after three years of merger as measured by indicators in the form of assets, third party funds and credit looks different from before the merger except for profit which did not experience any difference.
2. Credit risk in 50 BPRs after three years of merger is reflected in the NPL ratio which has not improved due to differences that show a tendency for BPRs with increasing NPL ratios.
3. Liquidity risk in 50 BPRs after three years of merger appears to have improved, as reflected by the difference in CR in line with the LDR which is not different, indicating that the condition of fund collection is not yet optimally distributed in the form of credit and is still placed in the form of liquid assets.
4. The profitability of 50 BPRs after three years of merger has not shown any improvement, as reflected in the ROA ratio and BOPO ratio which do not show any difference from before the merger, which may be caused by the LDR not being optimal and credit risk not improving, which has an impact mainly on interest income, interest costs and the formation of loss reserves.
5. The capitalization of 50 BPRs after three years of merger has not improved, as reflected in the CAR which does not appear to have changed.
6. Relationship between variablesassets, third party funds, credit, NPL and profit and lossIn 50 BPRs after three years of merger, they have a strong relationship, both collectively and individually, which has a significant influence on core capital, thus reflecting that merger is one of the solutions to increase BPR core capital.

The above conditions reflect the need to build strong synergy during the merger process in order to produce a truly strong and competitive BPR so that it can provide more benefits to stakeholders. In relation to this, careful planning is needed in preparing the merger plan, especially regarding the readiness of management, human resources, work culture, information technology, standard operating procedures (SOP), span of control and determination of the business model as outlined in the financial projections of the merged BPR.

BPRs that merge must create synergy so that the purpose of the merger can produce a healthy BPR with strong competitiveness. The synergy includes management, human resources, work culture, information technology, standard operating procedures (SOP), span of control and determination of business models.

Considering that mergers are an obligation that must be carried out for BPRs owned by the same shareholders and for BPRs that cannot meet the core capital requirements by the specified time limit, efforts are needed to accelerate mergers by providing sweeteners so that mergers become attractive to BPR industry business actors, including accelerating the merger licensing process, making it easier to...*Initial Public Offering* (IPO) as well as tax relief and legal costs.

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