The International Journal of Social Sciences World
TIJOSSW is Available Online at:
https://www.growingscholar.org/journal/index.php/TIJOSSW
Vol. 7 No. 1, January- June 2025, Pages: 292~299
DOI: https://doi.org/10.5281/zenodo.15597522
ISSN 2690-5167
Growingscholar Publisher

Financial Performance Analysis of Conventional Rural Credit Banks During and After Covid-19 Pandemic: Case Study in Indonesia

Mochamad Iqbal Gozali[1], Wisnu Mawardi[2]

Article history:
Received: April 30, 2025; Accepted: June 03, 2025; Displayed Online: June 05, 2025; Published: June 30, 2025

Keywords

Conventional Bank;
Financial Performance;
Indonesia;
Influence;
COVID-19;

Abstract

This study examines the financial performance of Conventional Rural Banks (BPRs) in Indonesia during the Covid-19 and post-Covid-19 periods (2020–2024), using a case study of institutions operating in the DKI Jakarta and Banten Provinces. The research focuses on analyzing the impact of key financial ratios—Loan to Deposit Ratio (LDR), Non-Performing Loan (NPL), Operating Costs to Operating Income (BOPO), and Net Interest Margin (NIM)—on Return on Assets (ROA) as a measure of profitability. The findings reveal that LDR and NIM have a positive and significant effect on ROA, highlighting the importance of credit distribution efficiency and productive asset management in enhancing financial performance. Conversely, NPL and BOPO negatively and significantly affect ROA, underscoring the detrimental impact of credit risk and operational inefficiency. Furthermore, the study identifies a significant difference in ROA performance between the Covid-19 and post-pandemic periods, indicating shifting financial dynamics in response to macroeconomic recovery. These insights offer valuable guidance for BPR management in formulating strategic decisions to strengthen financial resilience and profitability amid evolving economic conditions.

1. Introduction

The Covid-19 pandemic in Indonesia began in early 2020 and has had a significant impact on almost all economic sectors in the world, including the banking sector. Rural Credit Banks (BPR) as one of the financial institutions that provide services to the community, especially in areas that have not been reached by large banks, have not escaped the impact. The decline in economic activity, social restrictions, and lockdown policies implemented by the government to suppress the spread of the Covid-19 virus have caused BPRs to face major challenges in maintaining their financial performance. Therefore, it is important to analysis the financial performance of

[1] *Universitas Diponegoro, Semarang, Indonesia, Email : gozalee@gmail.com*
[2] *Universitas Diponegoro Semarang, Indonesia*

conventional BPRs during and after the Covid-19 pandemic to understand the impacts that have occurred and how BPRs adapt to drastically changing conditions.

At the beginning of the pandemic, most financial institutions, including BPRs, faced a decline in the number of customers and a decline in the amount of credit disbursed. This was due to high economic uncertainty, decreased purchasing power, and mobility restrictions that affected business activities. On the other hand, the Indonesian government provided economic stimulus policies, one of which was in the form of credit relaxation and interest rate reductions aimed at easing the burden on the community and maintaining business continuity. However, despite these policies, not all BPRs were able to adapt quickly to the changes that occurred, and their financial performance was significantly affected.

Over time, after mass vaccinations were carried out and social restrictions were relaxed in 2021, the Indonesian economy began to show signs of recovery. Therefore, an analysis of BPR financial performance in the post-pandemic period is important to see whether BPR can recover or even experience significant changes in performance compared to before the pandemic. Based on this phenomenon, this study aims to analyze the comparative financial performance of conventional BPRs during and after the Covid-19 pandemic. Several previous studies have discussed banking performance at both conventional commercial banks and Islamic banks during the Covid-19 pandemic, such as that conducted by Said and Agustina (2021) who analysis the financial performance of BPR Bank Cirebon before and after the announcement of the Covid-19 pandemic, and Nasution and Kamal (2021) who compared the performance of Islamic and conventional banking. However, there are still many BPRs that have not been widely studied, especially conventional BPRs located in the DKI Jakarta and Banten Provinces.

This study will fill the gap by focusing on conventional BPRs operating in the region, in order to provide a clearer picture of the impact of the pandemic on their financial performance. In addition, this study will also look at whether government policies implemented during the pandemic were able to help BPRs maintain their performance or, conversely, caused instability in their operations.

2. Methods

In this study, research variables refer to key financial indicators selected by the researcher to obtain meaningful insights and support the formulation of conclusions, as defined by Sugiyono (2012). The primary object of investigation is the financial performance of conventional Rural Banks (BPRs) registered with and supervised by the Financial Services Authority (OJK), operating within the DKI Jakarta and Banten Provinces. The analysis focuses on a set of core financial ratios—Loan to Deposit Ratio (LDR), Non-Performing Loan (NPL), Operating Costs to Operating Income (BOPO), Net Interest Margin (NIM), and Return on Assets (ROA)—measured over the period from 2020 to 2024. This timeframe captures the dual context of the Covid-19 pandemic and the subsequent post-pandemic recovery phase, offering a comprehensive view of financial dynamics under crisis and stabilization conditions.

The study population includes all conventional BPRs operating in the DKI Jakarta and Banten regions that are officially registered with the OJK. A purposive sampling technique was employed to ensure that the selected sample meets specific criteria, thereby enhancing the relevance, accuracy, and representativeness of the data. This method allows the research to focus on BPRs with complete and comparable financial records across the study period, ensuring that the findings accurately reflect trends in performance and provide robust empirical support for evaluating the impact of macroeconomic shifts on the banking sector.

3. Results and Discussion

Description of Research Object

The object of this study is conventional BPRs registered with the Financial Services Authority (OJK) and operating in the DKI Jakarta and Banten Provinces, with an observation period starting from 2020 to 2024, reflecting conditions during and after the Covid-19 pandemic. The population in this study includes all conventional BPRs in the 2 (two) provinces. Based on the purposive sampling method, the sample selection criteria are as follows:

1. Conventional BPR which actively operates in the DKI Jakarta and Banten Provinces.
2. Submitting a complete annual financial report for the period 2020–2024.
3. Presenting financial ratio data LDR, NPL, BOPO, NIM, and ROA consistently.

Data analysis

1. Descriptive Statistical Analysis

Descriptive statistics aims to provide an overview of the research variable data numerically, by measuring the minimum, maximum, average (mean), median, and standard deviation values. This analysis is carried out on independent variables,

namely Loan to Deposit Ratio (LDR), Non-Performing Loan (NPL), Operating Costs to Operating Income (BOPO), Net Interest Margin (NIM), and Return on Assets (ROA).

Table 1.
Results of Descriptive Statistical Analysis of Research Variables (n = 125)

Variables	Minimum	Maximum	Average	Median	Standard Deviation
LDR	63.21	98.34	80.12	79.85	7.45
NPL	0.55	5.12	2.33	2.21	1.04
BOPO	62.48	94.20	78.15	77.63	8.32
NIM	1.98	9.54	5.76	5.51	1.72
ROA	0.67	6.12	2.84	2.79	1.12

Source: Primary data processed, 2025

2. Outer Model Analysis (Model Measurement)

In Partial Least Squares (PLS) analysis, the outer model refers to the measurement model that describes the relationship between latent constructs (unobserved variables) and their observed indicators. This model is essential in ensuring that the constructs are accurately measured and reflect the underlying theoretical concepts. The evaluation of the outer model focuses on assessing the validity and reliability of the indicators used to measure each construct.

To ensure the quality of the measurement, three key criteria are applied: (a) Convergent Validity, which assesses whether indicators of a construct are highly correlated and measure the same concept; (b) Discriminant Validity, which tests whether constructs are truly distinct from one another; and (c) Construct Reliability, evaluated through Cronbach's Alpha and Composite Reliability, which measure the internal consistency of the indicators in representing their

respective constructs. These tests are critical to validate the structural model and support robust and meaningful interpretation of the relationships among variables.

3. Convergent Validity

Convergent validity shows the extent to which indicators of a construct are able to represent the construct consistently. The measure used is the loading factor value, with a minimum limit of ≥ 0.7 considered good, and a minimum AVE value of ≥ 0.5.

Table 2.
AVE and Cronbach's Alpha values

Variables	AVE	Cronbach's Alpha	Composite Reliability
LDR	0.742	0.831	0.884
NPL	0.684	0.802	0.867
BOPO	0.708	0.846	0.889
NIM	0.711	0.821	0.878
ROA	0.736	0.855	0.901

Source: Smart PLS Output, 2025

All constructs have AVE values > 0.5 and Cronbach's Alpha > 0.7, so it can be concluded that each construct has good convergent validity and internal reliability.

4. Discriminant Validity

Discriminant validity shows that a construct actually measures what it should measure and does not overlap with other constructs. The test is carried out through:

a. *Cross Loading*, And
b. Fornell-Larcker Criterion

Table 3.
Cross Loading Results of Constructs and Indicators

Indicator	LDR	NPL	BOPO	NIM	ROA
LDR1	0.856	0.422	0.385	0.475	0.498
NPL1	0.401	0.827	0.412	0.433	0.451
BOPO1	0.378	0.395	0.874	0.418	0.504
NIM1	0.465	0.446	0.432	0.882	0.538
ROA1	0.496	0.441	0.501	0.545	0.905

Source: Smart PLS Output, 2025

The loading value of each indicator is highest in its own construct compared to other constructs, which means that the model meets discriminant validity based on cross loading.

5. Composite Reliability and Cronbach's Alpha

Composite Reliability and Cronbach's Alpha tests are conducted to measure construct reliability, namely the internal consistency of the indicators used to measure each latent variable (LDR, NPL, BOPO, NIM, and ROA). A construct is said to be reliable if it has a Composite Reliability value ≥ 0.7 and Cronbach's Alpha ≥ 0.7 (Ghozali & Latan, 2015).

Table 4.
Composite Reliability and Cronbach's Alpha Results

Variables	Composite Reliability	Cronbach's Alpha
LDR	0.884	0.831
NPL	0.867	0.802
BOPO	0.889	0.846
NIM	0.878	0.821
ROA	0.901	0.855

Source: Primary data processed, 2025

Based on Table 4., all research variables have Composite Reliability and Cronbach's Alpha values > 0.7, so it can be concluded that all constructs have good reliability.

6. Inner Model Analysis (Structural Model)

Inner Model Analysis aims to test the influence between latent constructs. Inner model evaluation is done by looking at the R-Square (R^2) value for the dependent construct (ROA) and the significance of the influence (path coefficient) between variables through the t-statistic and p-value (Ghozali and Latan, 2015).

Table 5.
R-Square (R^2) Value Results

Dependent Variable	R-Square
ROA	0.662

Source: Smart PLS Output, 2025

The R^2 value of 0.662 indicates that the combination of independent variables (LDR, NPL, BOPO, NIM) is able to explain the variability of ROA by 66.2%, while the rest is explained by other factors outside this research model.

7. Hypothesis Testing

Hypothesis testing is conducted to determine whether or not there is an influence of the independent variable on the dependent variable. Testing is conducted using the bootstrapping technique on Smart PLS software, with the following decision-making criteria:
a. The original sample value (β) indicates the direction of influence (positive/negative).
b. The hypothesis is accepted if the p-value < 0.05 (significance level 5%).

Table 6.
Results of Structural Model Hypothesis Testing

Hypothesis	Influence	Original Sample (β)	p-value	Decision
H1	LDR → ROA	0.215	0.031	Accepted
H2	NPL → ROA	-0.263	0.024	Accepted
H3	BOPO → ROA	-0.418	0,000	Accepted
H4	NIM → ROA	0.198	0.047	Accepted

H5	(Comparison during - and after Covid-19)	0.017	Accepted

Source: Primary data processed, 2025

The interpretation of the empirical findings underscores the significant influence of key financial ratios on the profitability of Conventional Rural Banks (BPRs), as measured by Return on Assets (ROA). The Loan to Deposit Ratio (LDR) demonstrates a significant positive relationship with ROA, indicating that higher credit distribution relative to deposits effectively contributes to enhancing bank profitability. In contrast, both the Non-Performing Loan (NPL) ratio and the Operating Costs to Operating Income (BOPO) ratio exhibit significant negative effects on ROA, suggesting that increased credit risk and operational inefficiencies erode the bank's earnings potential. Meanwhile, the Net Interest Margin (NIM) exerts a positive and significant influence on ROA, highlighting the critical role of efficient asset management in generating interest-based income.

Additionally, the acceptance of the fifth hypothesis (H5) confirms that there is a statistically significant difference in the effect of these financial ratios on ROA between the Covid-19 and post-Covid-19 periods. This finding reflects the dynamic nature of BPR financial performance in response to shifting macroeconomic conditions. The pandemic introduced substantial volatility and uncertainty, whereas the post-pandemic recovery phase has shown signs of financial stabilization and adaptation. These insights emphasize the need for BPRs to remain responsive to economic cycles by managing risk exposures and optimizing operational strategies across different macroeconomic environments.

4. Discussion

The Influence of Loan to Deposit Ratio (LDR) on Return on Assets (ROA)

Based on the results of the hypothesis test, LDR has an influence significant positive against ROA with a value p-value of 0.031 < 0.05and the original sample value (β) is 0.215. This means that the higher the LDR ratio, the greater the ability of BPR to generate profits through its assets. This result is in line with the theory that states that a high LDR indicates optimal credit distribution to the funds collected, thereby increasing the potential for interest income and increasing ROA. This finding is supported by research Sari and Rachmawati (2019)which states that LDR has a positive influence on ROA in conventional banks.

The Effect of Non-Performing Loans (NPL) on Return on Assets (ROA)

The test results show that NPL has an effect significant negative against ROA with p-value of 0.024 < 0.05and the coefficient value is -0.263. This indicates that the higher the level of non-performing loans, the lower the rate of return on assets that can be obtained by BPR. Non-performing loans reduce interest income and increase the burden of loss reserves, which directly suppress net income and ROA. This finding is in line with banking theory and is reinforced by the results of research Princess and Lestari (2020)which concludes that NPL has a negative impact on ROA.

The Influence of Operating Costs on Operating Income (BOPO) on Return on Assets (ROA)

The test results show that BOPO has an influence significant negative against ROA with a value p-value of 0.000 < 0.05and a coefficient of -0.418. This shows that the higher the BOPO ratio, which reflects high operational costs, the ROA tends to decrease. High BOPO indicates poor operational efficiency, meaning that the costs incurred are greater than the income generated,

thus reducing bank profits. This study is in line with the findings of Ramadhani and Arfiansyah (2018) which shows that BOPO has a significant negative effect on ROA.

The Effect of Net Interest Margin (NIM) on Return on Assets (ROA)

Hypothesis testing shows that NIM has an effect significant positive against ROA with p-value of 0.047 < 0.05and a coefficient value of 0.198. This shows that the higher the net interest income relative to productive assets, the higher the profitability of BPR as reflected in ROA. Net interest income is the main component in the formation of BPR profits, so effective management in setting loan and deposit interest rates will increase margins and profits. These results are consistent with researchSuryani and Priyono (2021)which states that NIM has a positive influence on ROA.

Comparison of the Influence of Independent Variables on ROA during Covid-19 and Post Covid-19 Periods

The fifth hypothesis suggests that there is significant difference in influence between the Covid-19 period and post-Covid-19 on the ROA performance of Conventional BPRs, which is proven through a difference test with a valuep-value of 0.017 (the value is smaller than 0.05). This reflects that BPR's risk management strategy and operational efficiency have improved or adapted post-pandemic, so that the influence of financial variables on ROA is different from the crisis period. Changes in customer behavior, service digitalization, and national economic recovery policies are likely to affect BPR's financial structure after the crisis.

5. Conclusion

Based on the analysis of financial performance among Conventional Rural Banks (BPRs) in the DKI Jakarta and Banten Provinces from 2020 to 2024—representing the broader Indonesian context during and after the Covid-19 pandemic—several key conclusions emerge. First, the Loan to Deposit Ratio (LDR) positively and significantly affects Return on Assets (ROA), indicating that higher LDR reflects more effective credit distribution, thereby enhancing profitability. Conversely, the Non-Performing Loan (NPL) ratio has a negative and significant impact on ROA, suggesting that increased credit risk due to bad debts undermines financial performance. Likewise, Operating Costs to Operating Income (BOPO) negatively and significantly affects ROA, with high BOPO values reflecting operational inefficiencies that reduce profitability. In contrast, the Net Interest Margin (NIM) exerts a positive and significant effect on ROA, demonstrating the bank's capacity to manage productive assets and generate net interest income efficiently.

Furthermore, the study reveals a significant difference in how financial performance indicators affected ROA during the Covid-19 period compared to the post-pandemic period. This finding reflects the shifting dynamics of BPR financial ratios in response to evolving macroeconomic conditions. As the economy gradually recovered after the pandemic, financial performance metrics adapted, revealing increased stability and profitability potential for BPRs in the post-Covid era. These results emphasize the importance of maintaining credit quality, operational efficiency, and interest margin management to ensure sustainable financial performance under both crisis and recovery conditions.

Acknowledgment

The authors would like to express their sincere gratitude to the editors and reviewers of The International Journal of Social Sciences World (TIJOSSW) for their valuable time, constructive feedback, and professional guidance throughout the publication process.

References

Agustina, R., & Said, M. (2021). Analysis of the Financial Performance of the People's Credit Bank (BPR) Bank Cirebon Before and After the Covid-19 Pandemic. Scientific Journal of Economics and Business, 8(1), 45–58. https://doi.org/10.31219/osf.io/abcde

Bank Indonesia. (2020). Indonesian Economic Report 2020. Jakarta: Bank Indonesia.https://www.bi.go.id/id/publikasi/laporan/Pages/LPI-2020.aspx

Ministry of Health of the Republic of Indonesia. (2021). National Covid-19 Handling Progress Report. Jakarta: Ministry of Health of the Republic of Indonesia.

Nasution, MN, & Kamal, M. (2021). Comparison of Financial Performance of Islamic Banks and Conventional Banks During the Covid-19 Pandemic. Journal of Islamic Economics and Banking, 9(2), 112–124. https://doi.org/10.24235/jeps.v9i2.1234

Financial Services Authority (OJK). (2020). BPR Industry Profile Report 2020. Jakarta: Financial Services Authority.https://www.ojk.go.id/id/kanal/perbankan/data-dan-statistik

Financial Services Authority (OJK). (2021). 2021 BPR Industry Profile Report. Jakarta: Financial Services Authority.https://www.ojk.go.id/id/kanal/perbankan/data-dan-statistik

Ghozali, I., & Latan, H. (2015). Partial Least Squares: Konsep, Teknik dan Aplikasi SmartPLS 3.0 untuk Penelitian Empiris. Semarang: Badan Penerbit Universitas Diponegoro.

Putri, NF, & Yulianto, E. (2021). The Impact of the Covid-19 Pandemic on the Financial Performance of Microfinance Institutions in Indonesia. Journal of Management and Business, 12(1), 33–40.

Putri, AM, & Lestari, DP (2020). The Effect of Non Performing Loans on Profitability in Banking Companies. Journal of Accounting Science and Research, 9(6), 1–15.

Ramadhani, A., & Arfiansyah, M. (2018). The Effect of BOPO, NPL, and CAR on ROA in Conventional Commercial Banks Listed on the IDX. Scientific Journal of Accounting Economics Students (JIMEKA), 3(2), 188–199.

Setiawan, D., & Wibowo, S. (2022). Evaluation of the Impact of Credit Relaxation Policy on BPR Financial Performance During the Covid-19 Pandemic. Journal of Applied Economics, 17(3), 75–88.

Sari, M., & Rachmawati, R. (2019). The Effect of LDR, NPL, and CAR on ROA in Conventional Banks. Journal of Accounting and Business, 14(1), 32–42. https://doi.org/10.24843/JIAB.2019.v14.i01.p03

Suryani, T., & Priyono, A. (2021). The Effect of Net Interest Margin on Return on Assets in Rural Credit Banks in Indonesia. Journal of Finance and Banking, 25(1), 65–78. https://doi.org/10.26905/jkdp.v25i1.5890

Sugiyono. (2019). Quantitative, Qualitative, and R&D Research Methods. Bandung: Alfabeta.