
The Effect of Restructuring the Quality of Earning Assets and Profitability on the Minimum Capital in Rural Banks

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Abstract

This study aims to examine the effect of Non Performing Loans (NPL), Return On Assets (ROA) and Return On Equity (ROE) on the Capital Adequacy Ratio (CAR). As an intermediary institution, rural banks has an obligation to comply with and follow the rules of the Financial Services Authority(OJK). OJK issued the Minimum Capital Adequacy Requirement (MCAR) regulation, which was originally required to be 8% to 12% of Risk Weighted Assets (RWA) with a deadline of the end of December 2019. The emergence of the Covid-19 pandemic has put pressure on rural banks performance due to the increasing threat of bad loans. The OJK issued a national economic stimulus regulation that contained restructuring of the quality of productive assets so that bad loans could be suppressed. By using a sample of 57 rural banks with assets of 3 billion to 35 billion in 2020, the effect is tested using multiple regression. The results of the study simultaneously that NPL, ROA and ROE have an effect on CAR. Partially NPL has a positive effect on CAR, ROA has a negative effect on CAR, ROE has a significant positive effect on CAR.

Keywords: Restructuring, CAR, NPL, ROA, ROE

1. Introduction

1.1 Rural Banks

Sufficient bank capital plays an important role in realizing a strong and highly competitive Rural Bank (RB) industry. The role of capital for banks is not only as a source of financial support in carrying out bank activities, but also as a reserve to absorb unexpected losses as well as a safety net in crisis conditions. Efforts to strengthen RB capital were initially carried out by Bank Indonesia through Bank Indonesia Regulation (PBI) No.8/18/PBI/2006 concerning Minimum Capital Adequacy Requirements (MCAR) for Rural Banks which stipulates that RB capital is

categorized as healthy if it has a minimum capital adequacy ratio of 8 % of Risk Weighted Assets (RWA). The Financial Services Authority (OJK), which since December 31, 2013 has had the functions, duties and authorities to regulate and supervise financial service activities in the banking sector, has refined the provisions regarding the minimum capital requirement for Rural Banks through Financial Services Authority Regulation (POJK) Number 5/POJK.03/2015, namely improving the quality of RB capital by requiring RBs to meet a capital adequacy ratio of at least 12% which meets a core capital ratio of 8%.

The deadlines given by OJK to fulfill these provisions are 31 December 2019 for RBs with capital below 3 billion and 31 December 2024 for RBs with core capital below 6 billion. This additional capital can come from profits, additional paid-in capital, mergers, acquisitions and consolidations. In accordance with POJK number 5/POJK.03/2015, if these obligations are not fulfilled, the OJK will impose sanctions in the form of a reduction in the level of health, prohibition of opening office networks, prohibition of conducting business activities on foreign exchange and electronic banking equipment services, regional restrictions that are equalized to members. the board of commissioners and/or distribution of funds into the same district as the location of the RB office, restrictions on remuneration or other forms of RB directors, or compensation to related parties, and temporary suspension of RB operational activities.

This core capital requirement appears to face current RB challenges, such as technological developments, competition with other financial institutions as well as authority policies, regulations for commercial banks to disburse 20% of credit to MSMEs, thereby creating a wedge with the RB market, the proliferation of financial technology (fintech). which allows the public to access credit through applications, savings and loan cooperatives, microfinance institutions, the government's KUR program, smart behavior agents that can access people in remote areas, as well as State Owned Enterprises CSR programs that disburse credit to micro-enterprises. This condition is a challenge how RB can continue to grow and provide the best service in the midst of intense competition.

The trials faced by RBs were even more complicated when the Covid-19 pandemic spread throughout the world, and Indonesia was no exception. The micro and MSME segments, which are partners of RBs, have been severely impacted, thus making the performance of RBs even more depressed. The crisis caused by this pandemic is so serious that it erodes profits, suppresses credit distribution and increases the risk of bad loans. OJK noted that the number of RBs in Indonesia is decreasing, especially in RBs with assets of IDR 5-10 billion (26 RBs) and asset groups of IDR 1-5 billion (22 RBs). The decline in the number of rural banks over the last 5 years can be seen in the following table:

Table 1. Number of Rural Banks in Indonesia

Years	Number of Rural Banks
2016	1.633
2017	1.619
2018	1.597
2019	1.545
2020	1.506

Source: Bank Info Magazine May 2021 edition

As of January 2020, there were 722 RBs that had not met the minimum core capital standards or nearly 45.21 percent of the total RBs in Indonesia. A total of 374 RBs have not met the minimum core capital of Rp 3 billion. While the remaining 348 RBs have not fulfilled the Rp 6 billion (Infobank, 2021). At the end of 2020, OJK recorded consolidated RB profits fell by 13.94% from 3.46 trillion rupiah in 2019 to 2.90 trillion rupiah in 2020. This data is the lowest record in the last five years, RB's profit touched below 3 trillion. Infobank (2021) states that if this happens, it will be the impact of a pandemic that suppresses the performance of RBs and forces them to increase efficiency.

2. Literature Review

2.1 Minimum Capital Requirement

Capital is one of the important factors for banks in developing their business (Siamat, 2001). The minimum capital requirement according to the Financial Services Authority Regulation Number 5/POJK.03/2015 concerning Minimum Capital Adequacy Requirements and Fulfillment of Minimum Core Capital for Rural Banks is the ratio of capital to RWA that must be provided by RBs. RB is required to provide a minimum capital of at least 12% (twelve percent) of the RWA. As referred to in POJK Number 5/POJK.03/2015, capital consists of:

a. Paid-up capital.

b. Additional capital reserves, which consist of premium, namely the excess of additional capital received by the RB as a result of the share price exceeding its nominal value, capital deposit funds, namely funds that have been paid in real terms for the purpose of increasing capital but have not been supported by the requirements to be classified as capital paid up, namely the GMS or the ratification of the articles of association by the competent authority,

c. Donated capital is capital that is recovered from the contribution of RB shares including the difference in value recorded with the selling price if the shares are sold and capital from donations from shareholders or outside parties received by the RB in the form of funds or other assets.

d. General reserves are reserves formed from the provision for retained earnings or net profit after deducting taxes for the purpose of strengthening capital and have been approved by the GMS.

e. Purpose reserves are reserves formed from the allowance for retained earnings or net profit after deducting taxes whose intended use has been determined and has been approved by the GMS.

f. Last year's profit is the previous year's profit after deducting tax unless it is allowed to be compensated with losses in accordance with tax provisions and its use has not been determined by the GMS.

g. Profit for the year is the profit earned in the current financial year after calculating the shortfall in the formation of Allowance for Earning Assets, which is calculated at a maximum of 50% (fifty percent) after the estimated tax, unless it is permitted to compensate for losses in accordance with tax provisions.

According to PBI No.15/12/PBI/2013 concerning CAR, the RWA used in calculating the minimum bank capital consists of RWA for credit risk, RWA for Operational Risk, and RWA for Market Risk. Capital Adequacy Ratio (CAR) is the ability of banks to maintain sufficient capital and the ability of bank management to identify, measure, supervise, and control the risks that arise so that they can affect the amount of bank capital (Suhardjono, 2011). The CAR ratio is obtained by dividing the capital by the RWA multiplied by one hundred percent.

2.2 Productive Asset Quality Restructuring

Referring to POJK Number 33/ POJK.03/2018 Concerning the Quality of Earning Assets and the Establishment of Allowance for Elimination of Earning Assets of Rural Banks, productive assets are the provision of RB funds in rupiah currency to earn income, in the form of credit, Bank Indonesia certificates, and placements. at another bank. The regulation also states that the quality of productive assets consists of five types, namely current, special mention, substandard, doubtful, and loss.

According to POJK No. 33/ POJK.03/2018, what is meant by credit restructuring is improvement efforts made by RB in credit activities for debtors who have difficulty fulfilling their obligations. RB can restructure credit to debtors who have difficulty paying credit principal and or interest, and the debtor has good business prospects and is considered capable of fulfilling obligations after the credit is restructured. Credit restructuring is carried out through rescheduling, re-conditioning and/or realignment.

Various government policies to deal with this pandemic can be seen from the issuance of various financial stimuli, including the banking sector. Banks, as intermediary institutions, are under serious pressure, given that lending is highly dependent on the national economic situation. To overcome this, OJK issued regulation Number 11/POJK.03/2020 concerning National Economic Stimulus as a Countercyclical Policy for the Impact of the Spread of Coronavirus Disease 19.

In POJK 11/POJK.03/2020 article 4 regarding the determination of asset quality, it is stated that debtors affected by the spread of coronavirus disease 2019 (Covid-19) including micro, small and medium business debtors can be based on the accuracy of payment of principal and or interest or margin. , profit sharing, ujah. Article 5 states that the quality of restructured credit or financing is determined to be current since the restructuring. The credit or financing restructuring as referred to can be carried out on credit or financing provided before or after the debtor is affected by the spread of the coronavirus disease 2019 (Covid-19) including micro, small and medium business debtors.

The issuance of POJK Number 11/POJK.03/2020 is one of the breakthroughs to secure national economic conditions through credit restructuring by improving the quality of productive assets. Debtors who accept the restructuring policy on a recorded basis will be recorded as debtors in the current category even though before receiving the restructuring they were in the non-current category. With this regulation, bank operations that have a significant impact are Non Performing Loans (NPL).

NPL is the ratio between non-performing loans and total loans (Oky and Supatmi, 2010). The NPL ratio shows the ability of RB management to manage non-performing loans, which is a risk faced by RBs because they channel their funds in the form of credit to the public. The higher the NPL ratio, the worse the quality of bank credit, which causes the number of non-performing loans to be greater so that the possibility of a bank in a problematic condition is greater which can disrupt bank performance (Nasser, 2003). According to Bank Indonesia regulations, this ratio is set at no more than 5%.

According to data released by Infobank (2021), it was noted that the majority of rural banks' NPLs were above 8%. NPL rose significantly during the pandemic that hit Indonesia. The business sector has been heavily affected by the pandemic, so that the return of funds from credit has faltered due to the declining purchasing power of the people. If this condition continues, it will threaten the continuity of the RB's business because it focuses on saving losses.

2.3 Profitability

Profitability is the company's ability to earn a profit (Wasis, 1997). Riyanto (1995) states that profitability shows a comparison between profits and assets or capital that generates these profits or can be interpreted as the ability of a company to generate profits during a certain period. Profitability is a component related to the company's profit where this ratio explains that the higher the ratio produced, the better the bank's performance. There are two types of profitability ratios that are often used, namely Return On Assets (ROA) and Return On Equity (ROE). The ROA ratio shows the ability of bank management to manage available assets to get a net profit (Kuncoro and Suhardjono, 2002). The greater the ROA ratio, the greater the level of profit achievement as an indicator of RB operational efficiency. ROA is a ratio that shows financial performance in terms of net income compared to total assets.

According to Dendawijaya (2009) ROA is used to measure the ability of bank management in obtaining overall profit (profit). The greater the ROA, the greater the level of profit obtained and the bank's position in terms of asset use is more effective. According to Bank Indonesia Circular Letter number 13/24/DPNP, ROA aims to measure the success of banks in generating profits. The smaller this ratio indicates the bank's inability to manage assets to increase efficiency.

ROE is a comparison between the bank's net profit with its own capital (Dendawijaya, 2005). This ratio is a tool to measure the company's ability to earn profits for shareholders or to find out the amount of return given by the company to the owner's capital. This ratio shows what percentage of profit after tax is obtained compared to the owner's capital. The greater this ratio indicates the better the company's performance for business owners with the hope that the greater the dividends that will be received.

Rivai, et.al (2012) defines return on equity as a very important indicator for shareholders and potential investors to measure the bank's ability to obtain net profit associated with dividend payments. The increase in ROE represents an increase in net profit from bank profits which is good news for shareholders. The definition of return on equity according to Arifin (2009) is the comparison between net income and average equity or investment by bank owners. From the perspective of the owner, in this case the shareholders, ROE is an important measurement tool because it interprets the interest in their ownership in the bank. Based on Bank Indonesia Circular Number 13/24/DPNP, ROE is used to measure the ability of a bank's paid-in capital to generate profits. The greater the ROE indicates the greater the ability of the bank's paid-in capital to generate profits.

3. Hypotheses Development

By taking into account the conditions during the COVID-19 pandemic which suppressed the national economy and the regulations from the OJK which require the fulfillment of a minimum capital, the performance of RBs is expected to be able to survive. Data from the OJK and Infobank that released the performance of RBs in 2020 showed a sharp decline in performance compared to previous years, even the last five years, the performance in 2020 was the lowest. Stimulus in the form of credit restructuring by the OJK is expected to have a significant influence on the performance of RBs on bank equity, especially the profit component. The restructuring disbursed will affect the classification of credit productive assets with the possibility of a declining NPL. The declining NPL is a good indicator because banks are increasingly reducing the formation of loss reserves. This stimulus is also expected to bring about better RB performance because it can focus on growing profits. This improved performance was able to bring about stronger RB capital resilience even though OJK required to increase the minimum capital provision. Therefore we formulate the hypothesis for this study as follows:

1. Allegedly Non-Performing Loan (NPL) has a negative effect on the Capital Adequacy Ratio (CAR).
2. It is suspected that Return on Assets (ROA) has a positive effect on the Capital Adequacy Ratio (CAR).
3. It is suspected that Return On Equity (ROE) has a positive effect on the Capital Adequacy Ratio (CAR).

4. Research Methods

4.1 Design and Research Object

This study uses secondary data by collecting published data released by OJK and Infobank. OJK is an institution that has the authority to regulate and supervise the financial services sector, including RB, while Infobank is a medium that ranks banks that meet the criteria as banks with the best performance of conventional and sharia commercial banks, conventional and sharia RBs with reference to data from the OJK.

In this study, the population used was 1000 rural banks in Indonesia in 2020 ranked by Infobank. The research sample taken was 57 RBs with the lowest asset rating ranging from 5 billion to under 35 billion rupiah. The sample was taken because RBs with this category are inhabited by RBs that have limited core capital due to the form of ownership, the majority of which are still individuals. Ownership that is still simple will cause difficulties in meeting the minimum capital according to the obligations mandated by the OJK. The data for 2020 was chosen because it was a pandemic year that affected the performance of the banking sector.

4.2 Research Variables and Analysis

The variables in this study using the independent variable and the dependent variable are as follows.

Table 2. Measurement Variable

No	Research Variable	Indicator	Measurement
1	Capital Adequacy Ratio is the ratio of bank capital in relation to risk-weighted assets and current liabilities. It was decided by central banks and bank regulators to prevent commercial banks from taking excess leverage and becoming insolvent in the process.	CAR	$\frac{\text{(Core Capital + Supplementary Capital)}}{\text{Risk Weighted Assets}} \times 100\%$
2	Non Performing Loan is loan conditions with the condition that the debtor fails to make payments scheduled for a certain period of time. In banking, credit status can be categorized as NPL if the condition of the loan with an interest rate of 90 days has been capitalized, refinanced, or postponed due to an agreement or amendment to the original agreement.	NPL	$\frac{\text{Bad Loans}}{\text{Total Loans}} \times 100\%$
3	Return on Assets is an indicator that shows the profitability of an asset value owned by the company.	ROA	$\frac{\text{Earning After Tax}}{\text{Total Assets}} \times 100\%$
4	Return On Equity is used to measure the company's ability to generate profits by capitalizing on equity that has been invested by shareholders.	ROE	$\frac{\text{Earning After Tax}}{\text{Total Equity}} \times 100\%$

This research analysis uses quantitative data using multiple linear regression analysis program eviews 10. With this approach, it is hoped that the data can be interpreted well to obtain results to what extent the independent variables affect the dependent variable. The following equation is used to test the effect of the independent variable on the dependent variable:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3$$

Information:

Y : CAR

α : Constant

β_1 - β_3 : Regression Coefficient

X1 : Non Performing Loan (NPL)

X2 : Return On Assets (ROA)

X3 : Return On Equity (ROE)

5. Results and Discussion

Table 2. Descriptive statistics

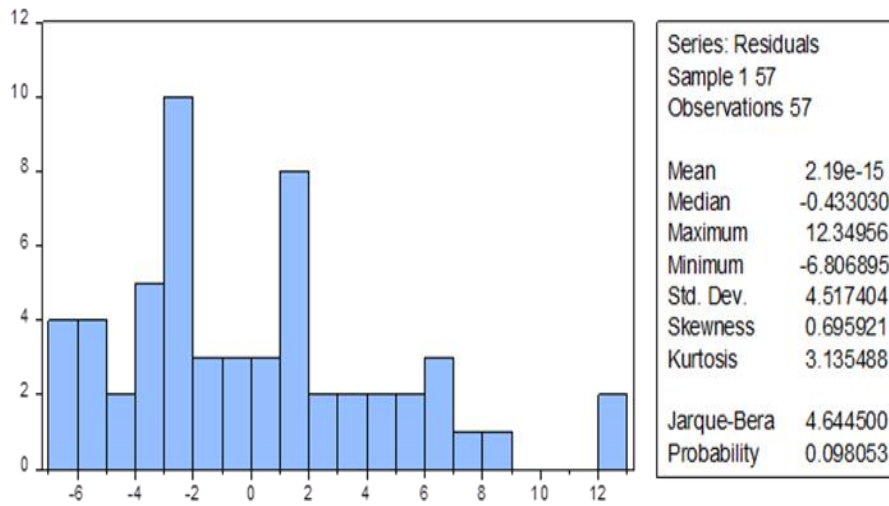
	CAR	NPL	ROA	ROE
Mean	17.74	5.755	0.0310	0.1555
Maximum	30.53	9.000	0.1195	0.6942
Minimum	9.880	2.530	0.0068	0.0185
Std. Dev.	4.887	1.449	0.0209	0.1407

Based on table 2, it can be seen that the CAR variable shows a maximum value of 30.53, a minimum value of 9.880 and this variable shows a standard deviation of 4.887. This standard deviation value is smaller than the average CAR so that the CAR variable data can be said to be good. The average value of the CAR variable shows a number of 17.74 by looking at the mean value, it can be concluded that statistically the CAR ratio of RBs during the study period was above the standard set by OJK, which is at least 12%, although some RBs are still below the provisions. The NPL variable shows a standard deviation of 1.449 in this case the NPL variable data can be said to be good, because the standard deviation value is smaller than the mean value. While the minimum value is 2,530 and the maximum value is 9,000 with an average value of 5,755. By looking at the mean value, it can be concluded that the NPL level exceeds 5%, this indicates that RBs have a high level of non-performing loans.

The ROA variable shows a standard deviation value of 0.0209 and a mean of 0.0310 which indicates the ability of earnings compared to total assets is quite good. While the minimum value of 0.0068 and the maximum value of 0.1195 shows that RBs can still generate profits despite the pandemic. Assets owned by RBs are able to efficiently generate profits, although in some RBs the profits generated are quite low. The ROE variable shows a standard deviation of 0.1407. While the minimum value is 0.0185 and the maximum value is 0.6942 with an average value of 0.1555, it can be concluded that the profit for the RB owner is quite large, which in turn will increase the company's share price and the greater the dividend received by investors. Even from

these statistics, it can be seen that there are RBs that are able to generate a profit of half of the total capital that has been deposited. The ROE value shows that the paid-in capital is effective in generating profits.

Table 3 Normality test



From the normality test above, it can be seen that the probability value is 0.098053 (greater than 0.05) and the Jarque Bera value is 4.644500 so that it can be concluded that the residuals are normally distributed. The data has a normal distribution in this study because the results of the significant value are above 5% or 0.05, so the assumption of normality is fulfilled. Data that are normally distributed meet the criteria for testing to see the effect between the variables used in this study.

Table 4 Multicollinearity Test

RATIO	CAR	NPL	ROA	ROE
CAR	1.0000	0.3717	0.1013	0.1016
NPL	0.3717	1.0000	0.0947	0.0459
ROA	0.1013	0.0944	1.0000	0.8678
ROE	0.1016	0.0454	0.8678	1.0000

The results of the multicollinearity test showed that there was no high correlation value between the independent variables because it did not exceed 0.90 (Ghozali, 2016) so it was concluded that there was no multicollinearity between the independent variables in the data used in the study.

Table 5 Autocorrelation Test

R-squared	-0.096016	Mean dependent var	17.74333
Adjusted R-squared	-0.136609	S.D. dependent var	4.887022
S.E. of regression	5.210145	Akaike info criterion	6.190288
Sum squared resid	1465.863	Schwarz criterion	6.297817
Log likelihood	-173.4232	Hannan-Quinn criter.	6.232078
Durbin-Watson stat	1.834671		

Based on the autocorrelation test table above, it can be seen that the value of the Durbin Watson statistic is 1.834671. This value is greater than 1.5078 and smaller than 2.4922, so from this test it can be concluded that there is no autocorrelation in the data taken as the research sample.

Table 6 Heteroscedasticity Test

F-statistic	1.286433	Prob. F(3,53)	0.2886
Obs*R-squared	3.868848	Prob. Chi-Square(3)	0.2760
Scaled explained SS	3.571501	Prob. Chi-Square(3)	0.3116

The results of the heteroscedasticity test show the F-Statistic probability value of 1.286433, greater than 0.05 so it can be concluded that there is no heteroscedasticity problem in the research data.

Table 7 Hypothesis testing

Dependent Variable: CAR

Included observations: 57

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	10.18963	2.632402	3.870850	0.0003
NPL	1.245783	0.431290	2.888502	0.0056
ROA	-6.746466	60.06574	-0.112318	0.9110
ROE	3.811888	8.898983	0.428351	0.6701
R-squared	0.145545	Mean dependent var	17.7433	
Adjusted R-squared	0.097179	S.D. dependent var	4.887022	
S.E. of regression	4.643495	Akaike info criterion	5.976403	
Sum squared resid	1142.789	Schwarz criterion	6.119775	
Log likelihood	-166.3275	Hannan-Quinn criter.	6.032123	
F-statistic	3.009275	Durbin-Watson stat	1.653648	
Prob(F-statistic)	0.038197			

5.1 Simultaneous Significance Test (F Test)

The F test was conducted to determine the effect of the independent variables simultaneously (simultaneously) on the dependent variable. Based on the above test, the calculated F significance result is 3.009275 with a significance level that is smaller (0.000106) than 0.05. Thus the results of the analysis in this study indicate that together the independent variables, namely the NPL, ROA and ROE variables have an effect on the dependent variable, namely CAR.

5.2 Partial Significance Test (T Test)

T test was conducted to determine the partial (individual) effect of each independent variable on the dependent variable. Based on the results of the significant test of hypothesis testing in table 7, the NPL variable has an influence on the CAR variable with a significance level of 1.245783, which means it is greater than 0.05. Further results show that the ROA variable has a significant effect on CAR of -6.746466, greater than 0.05. ROE has a significant effect on CAR at 3.811888, greater than 0.05.

6. Discussion

Based on the test results by looking at the NPL coefficient of 1.245783, it shows that NPL is positively related to CAR. The positive effect shown by the NPL on CAR means that if the NPL increases, the CAR will also increase, and if the NPL decreases, the CAR will also decrease. The results of this study differ from the hypothesis where NPL has a negative and significant effect on CAR. This is because RBs have high non-performing loans (NPL) but simultaneously high CAR values. Consistent increase in capital by RB owners also changes the CAR component, especially in paid-in capital. Investors have been well aware of the minimum capital requirement from the OJK so that the CAR value is able to reduce the turmoil caused by the spread of bad loans due to the pandemic. The restructuring of the quality of productive assets will continue to have an impact on the increase in NPL, but the CAR is still maintained safely. Therefore, the first hypothesis is rejected.

Based on the test results ROA does not have a significant effect on CAR. ROA has a significant effect shown by the calculated t value of -0.112318 which is smaller than t-table = 2.017 and the P-value is 0.052 which is greater than = 0.05. The results of testing this hypothesis reject the second hypothesis which states that ROA has a positive and significant effect on CAR. The results of the test show that the ROA ratio has no effect on CAR, this is because the increase and decrease in CAR is influenced by many factors and calculation components so that the acquisition of a high ROA value does not always interpret an increase in the CAR value. This is because the magnitude of the CAR value is not only derived from profit, but can come from paid-in capital from RB owners and can come from Risk Weighted Assets (RWA). Likewise, if the ROA value decreases, it does not mean that the CAR value also decreases. Therefore, the second hypothesis is rejected.

From the ROE results, the coefficient is 3.811888, which means that partially the ROE variable has an effect on CAR. The significant influence of ROE on CAR indicates that the performance of RB is more efficient in using capital to generate profits. The higher the paid-up capital of the RB owner, the higher the profit. The paid-up capital of the owners can be managed properly by

the management to generate profits and increase the CAR value. A high ROE is a concern for owners because it is able to assess how much dividends will be received. Therefore the third hypothesis is accepted.

7. Conclusion

NPL has a positive and significant effect on CAR. The positive effect shown by the results is 1.245783, and significant is indicated by the P-value of 0.0056 which is smaller than $= 0.05$. Furthermore, ROA has a negative and significant effect on CAR. The results of this study are indicated by the results of -6.746466, and significant is indicated by the P-value of 0.9110 which is greater than $= 0.05$. ROE has a significant positive effect on CAR. The tcount value is 0.428351 which is smaller than t table $= 2.017$ and the P value is 0.052 which is greater than $= 0.05$.

The results of the tests that have been carried out show that CAR is able to reduce the turmoil caused by the issuance of POJK rules Number 11/POJK.03/2020 concerning National Economic Stimulus as a Countercyclical Policy for the Impact of the Spread of Coronavirus Disease 19, which contains an easing of restructuring which was originally regulated by POJK Number 33/POJK. 03/2018 Concerning the Quality of Earning Assets and the Establishment of Allowance for Elimination of Earning Assets for Rural Banks. POJK number 5/POJK.03/2015 Concerning the Minimum Capital Adequacy Requirement and Fulfillment of Minimum Core Capital for Rural Banks, whose implementation coincided with the outbreak of the COVID-19 pandemic, which had an impact on disrupting the performance of RBs. Bad loans are at risk of increasing but the value of RB's capital is still in the safe category because it also increases. The profit generated by the RB contributes to the capital so that the higher the CAR value, both in terms of assets and equity. Even though there is an obligation to fulfill a minimum capital requirement of 12% for RBs, RBs are able to survive and fulfill these requirements, even during a pandemic

8. Limitations Of The Research

The implementation of this research has various limitations, including:

1. This study only uses samples from RBs with asset clusters of 5 billion to 35 billion as many as 57 RBs.
2. This research data uses print media released by Infobank magazine in the form of mature data that has been processed.
3. The ratio used for research focuses on profit performance and many components of the calculation of CAR.

9. Suggestion

On the basis of the limitations that have been described previously the author provides several suggestions for future research:

1. Expand the sample and expand the cluster of RBs that have larger assets.
2. Using raw data that can come from the OJK website so as to be able to develop research with a wider scope.
3. Focusing on research targeting Non-Performing Loans and RWA because of its more detailed coverage.

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