

Comparative Analysis of Banking Financial Performance Pre and Post Covid-19 Pandemic

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Submission date: 13-Nov-2022 11:17AM (UTC+0500)

Submission ID: 1952243286

File name: document.pdf (304.85K)

Word count: 5826

Character count: 31814



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Abstract

Covid-19 struck the Indonesian banking industry, particularly ASEAN, through the weaker economic growth, resulting in a slowdown in credit growth and eventually reduced profitability. This study aimed to analyze the financial performance of banks before and after the occurrence of a covid-19 pandemic and formulate alternative strategies to improve the financial performance of Indonesian banks. The study sample consisted of four banks with a saturated sampling method (census) are owned banks (State Bank) listed on the Stock Exchange Indonesia. The data in this research is secondary data obtained from the bank's annual report period 2019 until the second quarter of 2020, which is accessed via the IDX website. Performance is measured using the six financial ratios, namely ROA, BOPO, NPL, NIM, CAR, and LDR, with different test analysis methods (Paired T-Test). The study found that financial ratios ROA, BOPO, CAR, and LDR pre and post Covid-19 pandemics have significantly different values, while the NPL and NIM did not differ significantly.

Keywords: financial performance; Covid-19 pandemic; Banking; Financial ratios

JEL Classification: [G2, G21, L25]

Received:
03 Sep 2020
Revised:
01 Nov 2020
Accepted:
27 Dec 2020

INTRODUCTION

³⁴ The covid-19 pandemic has had a major impact on many economies, including Indonesia. The most apparent when it is shaken global stock markets to a low point also occurred in the Indonesia Stock Exchange. The manufacturing industry, small medium enterprises (SMEs), the financial industry, and individual income people had come crashing waves of the epidemic. No wonder many countries ultimately provide economic stimulus to reduce the impact of the economic downturn (Ucu, 2020). Impact Covid-19 appears to impact all sectors, especially sectors of the economy. Economic growth slowed due to the continued expansion of the distribution of Covid-19 not only in the country but also abroad. ¹² This delay was marked by worsening external environmental conditions and weakening domestic demand in line with declining business and consumer sentiment (Putri, 2020).

³⁷ Several business sectors were affected by the Covid-19 pandemic, including the banking sector. Covid-19 hit the ASEAN banking sector, including Indonesia, through weakening economic growth, resulting in a slowdown in credit growth and a decline in banking profitability. Therefore, we can conclude that banking financial performance will weaken along with the widespread distribution of Covid-19 (Syafina, 2020).

Banking financial performance can be used to analyze operational activities in the banking sector, whether all activities have gone according to plan or not. In addition, banking financial performance can also be used as material for evaluating banks for a certain period. Financial performance measure one using financial statement analysis. In this case, the financial statements need to be analyzed to facilitate the reader to obtain banks' financial information in a given period. Financial statement analysis can be done by calculating financial ratios derived from the financial statements (Munawir, 2012: 34).

There are many indicators used in assessing the effectiveness of banking performance. Return on Asset (ROA) is a type of profitability ratio used as an indicator in assessing the effectiveness of a bank in generating profits by utilizing ²⁹ assets owned by the bank. Assessment of financial performance can also be measured by the ratio of operating expenses to operating income (BOPO). This ratio is used as an indicator for the bank in assessing the bank's operational costs that must be spent to obtain operating income. The next variable is Non-Performing Loans (NPL) as an indicator ³¹ of managing credit extended by banks. The bank's management's ability to manage its productive

assets to generate net interest income can be measured using the ratio of Net Interest Margin (NIM). Ratio Capital Adequacy Ratio (CAR) was used to measure the level of risk because it reflects the level of capital adequacy used as a container for the risk of loss. Meanwhile, as a function of channeling funds to the public, the use of Loan to Deposit Ratio (LDR) is used as an indicator to measure the performance of banks in terms of total loans extended by banks (Fahmi, 2013: 248).

The object of this research are owned banks known as the Association of State-Owned Banks consisting of Bank Mandiri (Persero) Tbk, Bank Negara Indonesia (Persero) Tbk., Bank Rakyat Indonesia (Persero) Tbk., and Bank Tabungan Negara (Persero) Tbk. When the Covid-19 pandemic occurred, there was a phenomenon in the banking world where many countries experienced an economic downturn, but not banking in Indonesia, especially the Association of State-Owned Banks listed on the Stock Exchange.

During the House of Representatives Commission VI hearing, President Director of PT Bank Rakyat Indonesia (Persero) Tbk Sunarso called Persero bank's performance until the first quarter of 2020 recorded still positive. Recorded total bank credit incorporated in the State-Owned Banks Association grew by 11.03% annually or year on year (YoY) to Rp 2469.32 trillion. Total assets grew 7.09%, loans grew 11.03%. Meanwhile, recorded total third-party funds (DPK) per March 2020 are growing double-digit 10.23% YoY to Rp 2611.45 trillion in raising funds. (Sitanggang, 2020). The motivation to be appointed is a gap phenomenon in this study by focusing on state-owned banks due to the need for research boundaries. Several previous studies have also carried out this kind of research. These studies suggest a research gap on the comparison of banking financial performance before and after an event (in different periods), including the results of research by Cholifah (2017) and Prima (2018), research by Kinasih (2013) and Dewi (2016), research by Rasim (2015) and Utami (2013), research by Ziyad (2010) and Prima (2018), research by Novriza (2012) and Rahmawati (2015), and research by Lombogia (2015) and Widiani (2016).

In the research results of Dewi (2016), it is stated that there is no significant difference in financial performance, in this case, the value of ROA before and after the acquisition. The increase in total assets occurred after the acquisition because the company received an injection of funds from the bank. The increase in net profit earned was still fluctuating, but the changes in profit were not significant. The results of this study are supported by Utami (2013), Cholifah (2017), and Salin (2018). However, the results of this study are not in line with the results of research by Ziyad (2010) and Kurniasari (2017). They

show a significant difference in the value of ROA between before and after an event (in different periods).

Based on empirical evidence and the inconsistent research results regarding comparing banking financial performance before and after an event (in different periods), a study was conducted on "Comparative Analysis of Banking Financial Performance Pre and Post Covid-19 Pandemic". This study aims to analyze the financial performance of banks before and after the Covid-19 pandemic and formulate alternative strategies to improve the financial performance of Indonesian banks.

LITERATURE REVIEW

Bank

A bank is a financial institution whose main activities are collecting funds from the public, distributing the funds back to the community, and providing other banking services (Kashmir, 2016). Meanwhile, based on the statement of Financial Accounting Standards (SFAS) No. 31, the definition of the bank is an institution that acts as a financial intermediary between parties who have surplus funds and those who need funds, and a functioning institution expedites payment traffic. It can be concluded that the bank is a financial institution whose primary activity is collecting funds from the public in the form of deposits and then distributing the funds to the community in the form of loans and providing other banking services.

Financial Performance

Financial performance is one of the tools to assess a bank's success. A bank can be successful if it can achieve its banking objectives maximally, either profit or market share. In addition, banks can use financial performance for financial planning and forecasting in the future. According to Kusumawati (2012), financial performance is an analytical technique used to assess whether the banking activities carried out have been going well and according to the rules. Fahmi (2013) states that the measurement of financial performance of banks has the purpose of measuring and assessing the level of effectiveness and efficiency of banking in conducting its operational activities.

Financial Statement Analysis

Munawir (2012) explains that financial statement analysis is a process of processing data on financial reports so that readers can easily understand

and understand them. According to Fahmi (2013), the primary purpose of financial statement analysis is to determine the financial performance of banks in a given period. Financial statement analysis can compare companies engaged in the same industry. Munawir (2012) explains that two methods are used to analyze the vertical and horizontal financial statements. The difference between the two methods is that the vertical method only compares accounts available in the financial statements and only uses one financial reporting period. In contrast, the horizontal analysis method compares the financial statements over time or period so that differences in financial performance can be seen clearly.

METHODS

This research uses a comparative quantitative approach. A comparative research study compares the presence of one or more variables in a sample or a different time (Sugiyono, 2014). Based on this description, this study compares the financial performance of banks before and after the Covid-19 pandemic.

The population is the entire set of data possible to be observed or recorded by researchers (Morissan, 2012). The population in this study was banks listed on the Indonesian Stock Exchange. The sample in this study amounted to four banks, namely Bank Mandiri (Persero) Tbk, Bank Negara Indonesia (Persero) Tbk., Bank Rakyat Indonesia (Persero) Tbk., and Bank Tabung Negara (Persero) Tbk.

The data in this research is secondary data obtained from the banking quarter annual report, which is accessed through the Indonesian Stock Exchange website (www.idx.co.id). The data collection technique used is the documentation technique through the collection of data on the financial statements of State-Owned Banks for the period 2019 to the second quarter of 2020. Data is obtained from the quarterly financial statements of state-owned banks for the period 2019 to the second quarter of 2020.

The variables used in this study are the variables of banking financial performance as measured by ROA, BOPO, NPL, NIM, CAR, and LDR. Details of the identification and measurement of research variables are presented in Table 1.

Table 1. Identification and Measurement of Variables

Variable	Symbol	Measurement
Return On Assets	ROA	the ratio between net income by total assets expressed as a percentage (%) by using a ratio scale
Operating Expenses to Operating Income	BOPO	the ratio between operating expenses to operating income expressed as a percentage (%) by using a ratio scale
Non-Performing Loan	NPL	the ratio between the number of non-performing loans and the total loans expressed in percentage (%) using a ratio scale
Net Interest Margin	NIM	the ratio between net interest income to average earning assets is expressed as a percentage (%) by using a ratio scale
Capital Adequacy Ratio	CAR	the ratio between capital to risk-weighted asset expressed as a percentage (%) by using a ratio scale
Loan to Deposit Ratio	LDR	the ratio between credit and third party funds expressed in percentage (%) using a ratio scale

Source: Data processed, 2020

Due to a comparative study, the data analysis techniques used are different tests (Paired Sample T-Test), which previously performed the Kolmogorov-Smirnov normality test to determine whether the data were normally distributed (parametric) or not (non-parametric). The value of α used in the Kolmogorov-Smirnov test was 5%, which, if the Sig. > 5% then the data is normally distributed, but if the value is Sig. < 5%, then the data are not normally distributed. Through the Paired Sample T-Test with SPSS 20, the results that will appear are the average value of each data, the correlation value, and the testing with t-count against t-table or through p-value (Sig.) So that obtained results from the testing. In a test of the hypothesis is:

- H0: $\mu_1 = \mu_2$ (average pre- and post- Covid-19 pandemic is the same)
 H1: $\mu_1 \neq \mu_2$ (average pre- and post- Covid-19 pandemic is different)

The basis for decision making is as follows:

- t count > t table (Sig. < α), then Ho is rejected, or Ha is accepted (there is a significant difference)
- t count < t table (Sig. > α), then Ho is accepted, or Ha is rejected (there is no significant difference) (Kuncoro, 2010: 57).

RESULTS

Results of data normality test six variables (ROA, ROA, NPL, NIM, CAR and LDR) to the four-owned banks (Bank Mandiri, BNI, BRI and BTN) using the Kolmogorov-Smirnov (KS) non-parametric statistical test are described in the following table:

Table 2. Test Results: Data Normality

Variabel	Sig. Kolmogorov- Smirnov Bank Mandiri	Sig. Kolmogorov- Smirnov BNI	Sig. Kolmogorov- Smirnov BRI	Sig. Kolmogorov- Smirnov BTN
ROA	0,668	0,512	0,662	0,311
BOPO	0,584	0,371	0,219	0,212
NPL	0,091	0,077	0,301	0,043
NIM	0,072	0,103	0,092	0,019
CAR	0,112	0,119	0,115	0,082
LDR	0,305	0,190	0,231	0,173

Source: Data processed, 2020

Table 2. illustrates that all variables (ROA, BOPO, NPL, NIM, CAR and LDR) in Bank Mandiri (Persero) Tbk., Bank Negara Indonesia (Persero) Tbk. and Bank Rakyat Indonesia (Persero) Tbk. has a significant value above the sig level. (α), so that H_0 is accepted, which means the data is normally distributed. Meanwhile, in Bank Tabungan Negara (Persero) Tbk. there are four variables (ROA, BOPO, CAR, and LDR) that have a significant value above the sig level. (α), so that H_0 is accepted, which means the data is normally distributed. However, two variables (NPL and NIM) indicate that the data is not normally distributed where the significant value is smaller than the sig level. (α), so that H_0 is rejected. An alternative that can be done is to transform the data in the form of a z-score to produce all normally distributed data.

The results of the Paired Sample T-Test for six variables (ROA, BOPO, NPL, NIM, CAR, and LDR) in four state-owned banks (Bank Mandiri, BNI, BRI, and BTN) are described in the following table:

Table 3. Different Test Results (Paired Sample T-Test)

Bank	Sig. ROA	Sig. BOPO	Sig. NPL	Sig. NIM	Sig. CAR	Sig. LDR
Bank Mandiri	0,012	0,015	0,042	0,228	0,008	0,027
BNI	0,027	0,029	0,081	0,591	0,025	0,044
BRI	0,022	0,003	0,279	0,157	0,011	0,017
BTN	0,046	0,103	0,116	0,445	0,042	0,038

Source: Data processed, 2020

Different test results in Table 3 indicate that ROA on four-owned banks (Bank Mandiri, BNI, BRI, and BTN) has the Sig. Below the level of significance ($\alpha = 5\%$), H_0 is rejected, which means that there are significant differences between the financial performance of banking pre and post Covid-19 pandemic, where decline the post- Covid-19 pandemic.

BOPO variable at Bank Mandiri, BNI, and BRI have a Sig. Below the level of significance ($\alpha = 5\%$), H_0 is rejected, which means that there are significant differences between the financial performance of banking pre and post Covid-19 pandemic. Whereas in BTN, the BOPO variable has a Sig value. Above the level of significance ($\alpha = 5\%$), then H_0 is accepted, which means that there are no significant differences between the financial performance of banking pre and post Covid-19 pandemic. Thus, it can be concluded that the value of BOPO at state-owned banks tends to have a significant difference (experiencing an increase after the Covid-19 pandemic).

NPL variable at Bank Mandiri has a Sig value. Below the level of significance ($\alpha = 5\%$), H_0 is rejected, which means that there are significant differences between the financial performance of banking pre and post Covid-19 pandemic. While at BNI, BRI, and BTN, the NPL variable has a value of Sig. Above the level of significance ($\alpha = 5\%$), then H_0 is accepted, which means that there is no significant difference between the financial performance of banks pre and post Covid-19 pandemic. Thus, it can be concluded that the NPL value at state-owned banks tends not to have a significant difference (experiencing a decrease but not significantly after the Covid-19 pandemic).

NIM variable in four state-owned banks (Bank Mandiri, BNI, BRI, and BTN) has a Sig. H_0 is accepted above the level of significance ($\alpha = 5\%$), which means that there is no significant difference between the financial performance of banking pre and post Covid-19 pandemic (but not significantly decreased post-Covid-19 pandemic).

CAR variable in four state-owned banks (Bank Mandiri, BNI, BRI, and BTN) has a Sig. Below the level of significance ($\alpha = 5\%$), H_0 is rejected, which means that there are significant differences between the financial performance of banking pre and post Covid-19 pandemic (decrease post-Covid-19 pandemic).

LDR variable in four state-owned banks (Bank Mandiri, BNI, BRI, and BTN) has a Sig below the level of significance ($\alpha = 5\%$). H_0 is rejected, which means that there are significant differences between the financial

performance of banking pre and post Covid-19 pandemic (decrease post-Covid-19 pandemic).

DISCUSSION

Comparison Value of Return on Assets (ROA) Pre and Post Covid-19 Pandemic

Return on Asset (ROA) is an indicator of a company's profitability. This ratio indicates the extent to which investments can provide returns that correspond to expected expectations. The actual investment amounts to the asset a company has invested (Fahmi, 2013).

The analysis showed that ROA on four state-owned banks (Bank Mandiri, BNI, BRI, and BTN) has a significant parameter at a significant level of 5%. This level indicates significant differences between the financial performance of banking pre and posts Covid-19 pandemic, where the value of ROA has decreased after the Covid-19 pandemic.

The results of this study are consistent with the results from Ziyad (2010), Sisbintari (2012), Alam (2013), Kinasih (2013), Rahmawati (2015), Widiyani (2016), Kurniasari (2017), Kresmiati (2017), and Prima (2018) which shows that there is a significant difference in the ROA value between before and after an event (in different periods). However, this result is not consistent with the results of Utami (2013), Dewi (2016), Cholifah (2017), and Salin (2018), which showed that there were no differences were significant at the ROA between before and after an event (in different periods).

The difference in the study results is due to a significant decrease in ROA value. This decrease in value is due to a decrease in credit extended by banks. The profits achieved by banks are also getting lower. Credit easing as the economy weakens due to the impact of the post-Covid-19 pandemic. The decline in ROA describes the growing size of the profit generated by the bank. A decrease in ROA indicates a decline in bank profitability.

Comparison Value of Operating Expenses to Operating Income (BOPO) Pre and Post Covid-19 Pandemic

The efficiency ratio or Operating Expenses to Operating Income (BOPO) measures bank management's ability to control operating expenses to operating income. The smaller the BOPO ratio, the more efficient the

operational costs incurred by the bank so that the possibility of a bank in a problematic condition is getting smaller (Hasanah, 2011: 28).

The analysis showed that BOPO, the four-owned banks (Bank Mandiri, BNI, BRI, and BTN), has a significant parameter at a significance level of 5%. This level indicates significant differences between the financial performance of banking pre and posts Covid-19 pandemic, where the value of BOPO has increased post-Covid-19 pandemic.

The results of this study are consistent with the results of Novriza (2012), Kinasih (2013), Widiani (2016), Cholifah (2017), Kresmiati (2017), and Kurniasari (2017), which shows that there are differences significant at a value BOPO between before and after an event (in different periods). However, this result is not consistent with the results of Utami (2013), Dewi (2016), and Prima (2018), which showed that there was no difference significant at a BOPO value between before and after an event (in different periods).

The difference in research results occurred because there was a significant increase in the BOPO value in this study. This increase is due to higher operating expenses than operating income. The increase in BOPO indicates a decrease in bank profitability because the increase in BOPO results in less efficient operating costs incurred to earn income. In other words, after the Covid-19 pandemic, operational costs to obtain operating income at state-owned banks were less effective.

Comparison Value of Non-Performing Loan (NPL) Pre and Post Covid-19 Pandemic

The Non-Performing Loan (NPL) ratio is an indicator of credit risk, which indicates the bank's management's ability to manage the loans granted by the bank. NPL is a key indicator in assessing the performance of the bank. One of the functions of banks is as an intermediary institution or liaison between parties who have excess funds to those in need of funds. Bank Indonesia Regulation (PBI) stipulates that the non-performing loans (NPL) ratio is 5%. So the higher this ratio, the worse credit quality of the banks that cause bad debts, the greater the likelihood of a bank in a state the more significant problem and enable the achievement of the lower-income (Nasser, 2013).

The analysis showed that the NPL variables in the four state-owned banks (Bank Mandiri, BNI, BRI, and BTN) are not significant at the 5%

significant level. This level indicates no significant difference between the banking financial performance pre and post-Covid 19 pandemics.

The results of this study are consistent with the results of Utami (2013), Lombogia (2015), Dewi (2016), Cholifah (2017), and Prima (2018), which showed that there were no differences were significant at NPL value between before and after the events (in different periods). However, this result is not consistent with the results of Rasim (2015) and Widiani (2016), which indicates that there are significant differences in NPL value between before and after an event (in different periods).

Differences occur because the research results in this study's impairment of NPL are not significant. In other words, there is no difference. The state-owned banks able to cope with credit problems occur, thus the better the bank's condition. The decline in NPL value reflects the bank's achievement in improving the loan portfolio quality through applying prudential principles in the credit approval process. In addition, the bank is always consistent in applying a disciplined approach, namely "funding before lending," to ensure that the bank's liquidity is always considered before making a decision related to a loan.

Comparison Value of Net Interest Margin (NIM) Pre and Post Covid-19 Pandemic

The Net Interest Margin (NIM) ratio is an indicator to measure the ability of bank management to manage its productive assets to generate net interest income. The higher the NIM ratio, the higher the interest income on productive assets managed by the bank. The possibility of a bank in a problematic condition will be less (Dendawijaya, 2013).

The analysis showed that the NIM variables on four state-owned banks (Bank Mandiri, BNI, BRI, and BTN) have the parameter is not significant at the 5% significant level. This level indicates no significant difference between the banking financial performance pre and post-Covid 19 pandemics.

The results of this study are consistent with the results of Kinasih (2013), which showed that there was no significant difference in NIM value between before and after an event (in different periods). However, this result is not consistent with the results of Ziyad (2010) and Prima (2018), which shows that there are differences significant in NIM values between before and after an event (in different periods).

Differences occur because the research results in this study, there was no impairment NIM significant. In other words, there is no difference. The decline in NIM is due to an increase in interest expense more significant than the pre-Covid-19 pandemic. This decline indicates that banking intermediation is still not optimal with the decline in NIM. Banks can less manage their productive assets to generate net interest income post-Covid-19 pandemic.

Comparison Value of Capital Adequacy Ratio (CAR) Pre and Post Covid-19 Pandemic

The Capital Adequacy Ratio (CAR) is a capital adequacy ratio that shows the ability of banks to provide funds to overcome the possible risk of loss. This ratio is important because maintaining the CAR at the safe limit (minimum 8%) also means protecting clients and maintaining the financial system's stability. The greater the CAR value reflects, the better the ability of banks to face the possible risk of loss (Fahmi, 2013: 199).

The analysis showed that the CAR variables on the four state-owned banks (Bank Mandiri, BNI, BRI, and BTN) have a significant parameter at a significant level of 5%. This level indicates significant differences between the banking financial performance pre and posts Covid-19 pandemic, where the CAR value decreased post-Covid-19 pandemic.

The results of this study are consistent with the results of Ziyad (2010), Novriza (2012), Sisbintari (2012), Utami (2013), Cholifah (2017), and Salin (2018), which shows that there are differences significant in the CAR between before and after the event (in different periods). However, this result is not consistent with the results of Rahmawati (2015), Kresmiati (2017), and Prima (2018), which showed that there were no differences were significant at the CAR between before and after an event (in different periods).

Differences occur because the research results in this study are the significant decline in the CAR. CAR impairment occurs by a decline in bank profitability caused by bank lending. This decline indicates the lack of ability of banks in the face of a possible risk of loss.

Comparison Value of Loan to Deposit Ratio (LDR) Pre and Post Covid-19 Pandemic

The Loan to Deposits Ratio (LDR) is a ratio that measures a bank's ability to meet short-term liabilities (liquidity) by dividing total loans into total

Third Party Funds (TPF). Liquidity needs to be managed to meet bank needs when customers take their funds and distribute loans (credit) to debtors. Increasing the value of LDR is too high indicates that banks do not have sufficient liquidity to cover their liabilities (DPK). Conversely, the lower LDR value indicates that banks have adequate liquidity but lower-income because the banking sector's income is obtained through lending (Fahmi, 2013: 182).

The analysis showed that the LDR variables on the four state-owned banks (Bank Mandiri, BNI, BRI, and BTN) have a significant parameter at a significant level of 5%. This level indicates significant differences between the banking financial performance pre and posts Covid-19 pandemic, where the LDR value decreased of the post-Covid-19 pandemic.

The results of this study are consistent with the results of Sisbintari (2012), Alam (2013), Utami (2013), Widiani (2016), and Prima (2018), which shows that there are differences significant in LDR value between before and after an event (in different periods). However, this result is not consistent with the results of Novriza (2012), Kinasih (2013), Lombogia (2015), Dewi (2016), and Cholifah (2017), which showed that there were no differences were significant at LDR value between before and after an event (in different periods).

Differences occur because the research results in this study are the significant decline in the LDR value. The decline in the number of loans compared to the third-party funds (DPK) before the onset of the Covid-19 pandemic indicates that a decrease does not follow the reduction in the amount of credit granted to the public in the number of third-party funds that will decrease bank lending profit opportunities.

CONCLUSION

This study concludes that the comparison of financial ratios at Bank Mandiri (Persero) Tbk, Bank Negara Indonesia (Persero) Tbk, Bank Rakyat Indonesia (Persero) Tbk, and Bank Tabungan Negara (Persero) Tbk in the form of ROA, BOPO, CAR and LDR pre and post Covid-19 pandemic, tend to have significantly different values. At the same time, the NPL and NIM did not differ significantly. There are significant differences in the banking financial performance of the pre and post Covid-19 pandemic. Researchers can give several suggestions to state-owned banks and further similar research. Need for increased selection and intensive analysis in lending by the banks to reduce credit risk and improve the income on the loan interest.

In addition, it is expected to maximize investment and efficient use of operating costs so that the banking financial performance will remain optimally unaffected by the Covid-19 pandemic. As for further research, because this research uses only state-owned banks from 2019 to 2020 with six variables of the study, expected to research the banking sector as a whole with a range longer period and to use more research variables to improve the quality of research results.

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