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THE EFFECT OF THE COVID-19 PANDEMIC ON THE PERFORMANCE AND STABILITY OF COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE IN 2018 – 2021 (DIFFERENT TEST)

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ABSTRACT

The purpose of this study is to analyse the effect of the COVID-19 pandemic on the financial performance and stability of banking companies listed on the Indonesia Stock Exchange. The objects of research are banking companies listed on the Indonesia Stock Exchange in the period 2018 – 2021, which have experienced the impact of the pandemic, and publish their financial reports yearly. There are 46 sample data selected, through a purposive sampling technique with various criteria that have been determined, which are proxied by CAMELS analysis, according to Bank Indonesia regulations, and using secondary data as data tabulation. Model testing was carried out through the Wilcoxon Difference Test. The results showed that there was a significant difference in the average CAMELS value of 46 banking companies during the Covid-19 Pandemic, compared to before the pandemic. This finding implies many banking stakeholders in terms of maintaining their performance and enhancement of financial stability during negative shock events such as the COVID-19 pandemic.

Keywords: *Pandemic Covid-19, Indonesia Domestic Exchange (IDX), CAMELS Analyze, Purposive Sampling, Banking Annualy Report.*

INTRODUCTION

In this growing world of economy and business, almost every company has the same goal, which is to maximize profits or profits (Gitman & Zutter, 2015). According to Sueb and Keraf (2012), a profit rate that continues to increase until it reaches maximum profit is a good indicator of a company's financial performance. Financial performance itself is defined as work performance in the financial sector that has been achieved by the company and stated in the company's financial statements (Kurniasari, 2014). This means that investors or potential investors can use the information in published company financial reports as a reference in assessing company performance as an investment objective.

Entering 2020, the world is faced with the unpredictable and global shocking Coronavirus Disease – 2019 (COVID-19) pandemic, and declared a Public Health Emergency of International Concern (KMMMD/PHEIC) on January 30 2020 by the World Health Organization (WHO, 2020), thus having a major impact on the world economy, including in Indonesia. This was marked by the weakening of the Indonesian economy reaching minus 5.32% in the second quarter of 2020 (BPS, 2020). The impact of the pandemic also occurred in the banking sector, which caused the financial performance of banking companies listed on the IDX during the pandemic to experience a significant decline compared to previous years. According to data from Indonesian Banking Statistics, the growth in the average net profit/loss of banking companies has decreased from 123.940 trillion rupiahs in the third – fourth quarters of 2019 to 42.048 trillion rupiahs in the first – second quarters of 2020 with a decrease in net profit/loss in banks in Indonesia amounted to -66.07% (OJK, 2020).

Assessment of the soundness of a bank can be seen from the ratio of non-performing loans (NPL). Non-Performing Loan (NPL) is an instrument for measuring the size of the percentage of non-performing loans at a bank as a result of the customer's non-performance in making instalment

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payments (Ismail, 2016: 226). Bank Indonesia as the central bank in Indonesia has an important role in regulating and supervising the financial performance and operational activities of each bank. In this role, Bank Indonesia issued Bank Indonesia Regulation No. 6/10/PBI/2004 in Bank Indonesia Circular Letter No.6/23/DPNP concerning the Soundness Rating System for Commercial Banks, and in Bank Indonesia Regulation No. 9/1/PBI/2007 in Article 3 concerning Factors for Assessment of Bank Soundness Level, the regulation states that the soundness level of a bank is the result of an assessment of various aspects that affect the condition or performance of a bank through the assessment of aspects of Capital (Capital), Asset Quality (Asset Quality), Management (Management), Earning (Rentability), Liquidity (Liquidity) and Sensitivity of Market Risk (Sensitivity To Market Risk) or abbreviated as CAMELS (Bank Indonesia Regulation, 2004).

Based on research conducted by Hartadinata and Farihah (2021), the results show that the Covid-19 pandemic has affected the stability of interest income and minimized the burden of bad debts on banking companies due to the government's credit restructuring policy during the pandemic, which greatly affected the stability of bank profitability. However, there are also previous studies that state that there are significant differences, as seen from abnormal returns and transaction volume activity before and after the announcement of COVID-19 as a global pandemic, which can affect investors' decisions in investing, such as research conducted by Wicaksono and Adyaksana (2020) regarding the analysis of investor reactions as a result of the impact of Covid-19 on the banking sector in Indonesia.

The soundness level of a bank can be interpreted as the ability of a bank to carry out normal banking operations and be able to fulfil all of its obligations properly in ways that comply with applicable banking regulations (Kasmir, 2014). Banks are required to maintain and/or improve the Bank's Soundness Level by applying the principle of prudence and risk management in carrying out business activities with a risk approach (Risk Based Bank Rating) both individually and in a consolidated manner at least every semester for the position end of June and end of month December (OJK, 2016).

The mechanism for assessing the soundness of banking in Indonesia is carried out using the CAMELS method (Capital, Asset Quality, Management, Earnings, Liquidity, and Sensitivity to Market Risk) and the RGEC method (Risk Profile, Good Corporate Governance, Earnings and Capital). The CAMELS method is based on Bank Indonesia Regulation No. 6/10/PBI/2004, while the RGEC assessment method is based on Bank Indonesia Regulation No. 12/1/PBI/2011. This performance indicator is a quantitative and/or qualitative measure that describes the level of achievement of a set target or goal (Sedarmayanti, 2017).

Sullivan and Widoatmodjo (2021) stated that there were significant differences in the Capital Adequacy Ratio before and during the pandemic in the 43 banks listed on the IDX. Capital Adequacy Ratio is an indicator of a bank's ability to cover declining assets as a result of losses borne by the bank (Veithzal et al, 2017: 713). The higher the Capital Adequacy Ratio, the more solvable a bank is.

Non-Performing Loan (NPL) is a way to measure the size of the percentage of non-performing loans in a bank as a result of the customer's non-performance in making instalment payments (Ismail, 2016: 226). There was a significant increase in the NPL value during the pandemic with the amount of increase as large as that of state-owned banking companies (Maulidia, 2021; Seto & Septiani, 2021).

Net Profit Margin is a measure of profit by comparing profit after interest and tax to sales, this ratio shows the company's net income on sales (Kasmir, 2014: 200). Net Profit Margins at state-owned banks have decreased significantly, which had an impact on decreasing company performance in terms of management compared to before the covid-19 pandemic (Maulidia, 2021; Sullivan & Widoatmodjo, 2021).

The value of bank earnings (profitability) is measured using the ratio of operating expenses to operating income to measure the level of efficiency and ability of banks to carry out their operations. (Veithzal, 2007:722). Banks try to maximize income sourced from loans given in the hope of absorbing the interest on loans received (Dendawijaya, 2009). Sullivan and Widoatmodjo (2021) stated that during the pandemic, there was an increase in the average banking BOPO value of -5.18. In other words, the expenses incurred are relatively greater than the income received (Suardana, 2009).

The Loan Deposit Ratio (LDR) is the ratio used to measure the composition of the amount of credit given compared to the amount of public funds and capital used (Kasmir, 2014: 225). This ratio

shows the bank's ability to pay back withdrawals made by depositors by relying on the credit provided as a source of liquidity (Maulidia, 2021). The LDR of state-owned banks has increased to 107.55%, which is in the unhealthy category (> 102.25%) (Seto & Septian, 2021).

Even though there has been a lot of research on banking financial performance and stability, there have not been consistent results from several previous studies, especially on the results of research on sensitivity to market risk. Further testing regarding the conditions before and when the Covid-19 pandemic occurred at commercial banks, will be carried out in order to broaden knowledge about this situation. So, the author decided to research with the title "Analysis of the Influence of the Covid-19 Pandemic on the Performance and Stability of Banking Companies Listed on the Indonesia Stock Exchange in 2018 - 2021 (Different Test)", using the CAMELS method on conventional and sharia commercial banks.

METHODS

In this study, researchers conducted research on banking companies registered on the Indonesian Stock Exchange (IDX) before and during the Covid-19 pandemic. This study uses secondary company data, namely by using the annual financial statements of banking companies that have been audited and published to the public.

The research design is used to describe the type and source of data, the number of samples, the method of analysis the research variables used and the methods to be used in data processing. The research method used is a quantitative method using a combination of cross-section and time series data, data obtained from the Indonesia Stock Exchange and other sources that support sufficient data.

The independent variable in this study is the COVID-19 pandemic, which affects the Performance and Stability variables as dependent variables of banking companies before the pandemic occurred, and during the COVID-19 pandemic. The sampling technique uses a purposive sampling technique, where the researcher determines certain criteria according to the researcher's goals to be able to find the intended results. The sample used in this study was the result of a purposive sampling technique of 46 banking companies, consisting of state-owned banks, conventional private banks and Islamic banks, which were listed on the Indonesia Stock Exchange in the 2018 – 2021 timeframe.

The analytical method used to test the hypotheses in this study is a quantitative analysis method, researchers use the websites of the Indonesia Stock Exchange (IDX), the Financial Services Authority (OJK) and the websites of each banking company for financial year data for the last 4 years (2018 – 2021). The stages of data analysis in this study began with conducting research instrument tests including the normality test, after which it was continued with a different test with paired sample t-tests or Wilcoxon tests, this depended on whether or not the results of the data were distributed, assisted by using the IBM program SPSS (Statistical Product and Service Solutions) version 27.

ANALYSIS

Data in this study were collected from 46 banking companies in Indonesia that were listed on the IDX during the 2018-2021 period. Researchers used a purposive sampling technique in this study so that the sample companies were selected based on the criteria set by the researcher.

Table 1. Sample Selection

No	Description	Total
	Number of banks listed on the Indonesia Stock Exchange	46
1	Banking companies are not delisted in the 2018 – 2021 period	0
2	Publish complete annual financial reports on the company website and IDX official website for the 2018-2021 period	0
3	The financial reports published on the company's website or IDX's official website are complete and correct audit by public accounting firm	0
4	Report the number of commissioners and directors in the period 2018 – 2021	0
	Sample total	46
	Total sample data for four years	184

Source: Author

The list of sample companies in this study consists of 3 Private Islamic Banks, 1 BUMN Islamic Bank, 3 Regional Development Banks, 5 BUMN Conventional Banks, and 34 Private Conventional Banks. The study used all population data because all of them met the sampling criteria.

Table 2. Statistic Descriptive

N		Minimum	Maximum	Mean	Std. Deviation
Capital (CAR)	92	10.04	241.84	28.5375	29.04159
Asset Quality (NPL)	92	.00	15.75	3.4471	2.35862
Management (NPM)	92	-128.25	47.60	12.9876	24.87674
Earnings (OEOI)	92	51.65	199.97	88.0787	21.53171
Liquidity (LDR)	92	.00	241.97	79.7005	39.49023
Sensitivity (PDN)	92	.00	7.37	1.0283	1.32882

Source: Author

The lowest CAR (minimum value) of 10.04% is at Bank BPD Banten, and the highest at 241.84% is held by Bank Aladin Syariah (formerly Bank Net Syariah). The mean value is 28.53% for CAR as required by Bank Indonesia, which is 8%. Meanwhile, the standard deviation (std. deviation) is 29.04%.

The lowest NPL (minimum value) is 0% at Bank Aladin Syariah (formerly Bank Net Syariah), while the highest (maximum value) is 15.75% at Bank Neo Commerce. The mean value of NPL is 3.44%, while the standard deviation (std. deviation) is 2.36%.

The lowest NPM (minimum value) is -128.25% at Bank JTrust Indonesia, while the maximum value is 47.60% at Bank MNC International. 47.60% at Bank MNC International. NPM's mean value is 12.99%, while std. deviation) 24.88%.

Earnings (Operating expenses to operating income) have a minimum value of 51.65% at Bank of India Indonesia, while the maximum value is 199.97% at Bank Aladin Syariah. Then, the mean value is 88.08% and the standard deviation is 21.53%.

The lowest LDR (minimum value) is 0.00% at Bank Aladin Syariah, while the highest (maximum value) is 241.97% at Bank Bisnis International. The mean value of LDR is 79.70%, while the standard deviation is 39.49%.

The lowest sensitivity (net exchange position) (minimum value) is 00.00% at Bank Jago, while the maximum value is 7.37% at Bank Maybank Indonesia. The mean value of NEP is 1.03%, while the standard deviation is 1.33%.

Table 3. Wilcoxon Test Results - CAR

Asymptotic Sig.(2-sided test)	.001

Source: Author

Asymptotic significance value Sig. (2-sided test) or the p-value for the Capital Adequacy Ratio (CAR) data from the Wilcoxon signed rank test is 0.001 or less than the α value of 0.05. So, it can be concluded that there was a significant difference in the CAR value before and during the COVID-19 pandemic.

Table 4. Wilcoxon Test Results - NPL

Asymptotic Sig. (2-sided test)	.654

Source: Author

Asymptotic significance value Sig. (2-sided test) or the p-value for Non-Performing Loan (NPL) data from the Wilcoxon signed rank test is 0.654 or greater than the α value of 0.05. So, it can be concluded that there was no significant difference in the NPL value before and during the COVID-19 pandemic.

Table 5. Wilcoxon Test Results - NPM

Asymptotic Sig. (2-sided test)	.001

Source: Author

Asymptotic significance value Sig. (2-sided test) or the p-value for the Net Profit Margin (NPM) data from the Wilcoxon signed rank test is 0.001 or less than the α value of 0.05. So, it can be concluded that there was a significant difference in the NPM value before and during the COVID-19 pandemic.

Table 6. Wilcoxon Test Results - Earnings

Asymptotic Sig. (2-sided test)	.001

Source: Author

Asymptotic significance value Sig. (2-sided test) or the p-value for the Operating Expenses to Operating Income data from the Wilcoxon signed rank test is 0.001 or less than the α value of 0.05. So, it can be concluded that there was a significant difference in the BOPO value before and during the COVID-19 pandemic.

Table 7. Wilcoxon Test Results - LDR

Asymptotic Sig. (2-sided test)	.001

Source: Author

Asymptotic significance value Sig. (2-sided test) or the p-value for the Loan to Deposit Ratio (LDR) data from the Wilcoxon signed rank test is 0.001 or less than the α value of 0.05. So, it can be concluded that there was a significant difference in the LDR value before and during the COVID-19 pandemic.

Table 8. Wilcoxon Test Results - NEP

Asymptotic Sig. (2-sided test)	.241

Asymptotic significance value Sig. (2-sided test) or the p-value for the Net Exchange Position (NEP) data from the Wilcoxon signed rank test is 0.214 or greater than the α value of 0.05. So, it can be concluded that there was no significant difference in the NOP value before and during the COVID-19 pandemic.

If We analyse based on the description data, it is found that there is indeed a high difference in the mean CAR of Islamic banks before and after the pandemic, namely the mean values of 241.85% and 11.51%, so these conditions can affect a bank's performance. As is well known, the Islamic banking sector occupies a small market share when compared to the conventional sector, which is 7.03%. However, Islamic financial assets can be used as an alternative safe asset to bring about stability at the macro level and diversify risks at the micro level as well because the volatilities of conventional and Islamic performance are correlated.

Referring to the results of the Wilcoxon test, it was found that only the Asset Quality (NPL) and Sensitivity to Market Risk (NPL) aspects showed consistent results. It can be said that it was able to survive in conditions when the pandemic occurred, marked by a very small difference compared to before the Covid-19 pandemic, with asymptotic sig values of 0.654 and 0.214, both of which exceeded the alpha value of 0.05 or 5%.

Then the classification of the types of state-owned and private banks also shows signs of stability in a striking NPL value where BUMN tends to increase significantly from 2.71% before the pandemic and 3.32% during the pandemic. Likewise, there was a significant LDR value in the private sector during the pandemic, which rose to 77.74% from the previous 16.73%. The existence of special support and policies from the Government for state-owned banks can be one of the strengths of these state-owned banks.

Other aspects experienced significant differences in data before and during the Covid-19 pandemic. The biggest difference when the COVID-19 pandemic occurred was in the aspects of Capital, Management and Liquidity, with their respective asymptotic sig values <0.001, the three of which were less than the alpha value, namely 0.05 or 5%. Meanwhile, for the results from the Earnings aspect, the asymptotic sig value is 0.001, where the result is also less than the alpha value, which is 0.05 or 5%.

CONCLUSION

Based on the results of the research and discussion above, by analyzing and testing each banking financial report listed on the IDX, which is proxied by CAMELS analysis (Capital, Asset Quality, Management, Earnings, Liability, and Sensitivity to Market Risk) for 4 In the last year (2018-2021) before and during the Covid-19 pandemic, there were several data processing results in banking in Indonesia before and during Covid-19. First, there is a significant difference between banking CAR. Second, there was no significant difference between NPLs. Third, there is a significant difference in NPM. Fourth, there is a significant difference between Earnings. Fifth, there is a significant difference between banking LDR. Lastly, there is no significant difference between Sensitivity to Market Risk before and during the Covid-19 pandemic. All of these results are based on observation of 46 banks listed.

The implications of this research can provide direction to the banking sector to maintain capital adequacy and tighten the credit selection process, carry out good profit management and operational expense efficiency and not ignore short-term obligations. This is so that in the future Indonesian banks will be stronger in dealing with fluctuations in economic conditions that are sometimes unpredictable. For many banking stakeholders in terms of maintaining their performance and enhancement of financial stability during negative shock events such as the COVID-19 pandemic

The limitation of this study is that the CAMELS method has results that are not much different from RGEC, but the results of the RGEC method are more comprehensive in assessing risk management in banking. Based on Bank Indonesia Regulation No. 6/10/PBI/2004, has been replaced with the RGEC method (Risk Profile, Good Corporate Governance, Earnings and Capital). So that there are opportunities for further research to use the RGEC method.

This research is expected to help readers gain additional knowledge about the performance and stability of banks listed on the IDX, using the CAMELS method. Especially knowledge regarding the proxy for calculating Sensitivity to Market Risk for banking during the COVID-19 pandemic, which

until now has rarely been referenced in journals that discuss it for commercial banks (Islamic banks, private banks, and state-owned banks).

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