Impact of COVID-19 in Policy Implementation on Third Party Funds Case Study: Banking in Makassar City, Indonesia

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ABSTRACT: The purpose of this study is to analyze the impact before and during the COVID-19 pandemic in policy implementation on third party funds on the banking sector in Makassar city. This analysis uses the CAMELS method the ratios used are the quality ratios of CAR, NPL, NPM, ROA, ROE, BOPO, LDR, and IER to third party funds. This study uses quantitative methods using a comparative approach and analyzing using statistics. This study used a sample, by conducting a survey on 55 banks in Makassar city, before and during COVID-19. The results of a study of 55 banks showed significant differences in bank performance before and during the Covid-19 pandemic.

KEYWORDS: Information Technology, Strategy Selection, Profitability, Financial, Banking.

INTRODUCTION

The International Monetary Fund (IMF) July 5 2020 stated that "The projection of Indonesia's 2020 economic growth before covid 19 is 5.3% and the projection after COVID-19 is estimated to decline between -0.4% (very heavy category) and 2.3% (weight category)". This can affect the decline in economic activity and weaken community activities. In an effort to overcome this, cooperation between the government and stakeholders is needed to reduce the impact of COVID-19 on budget stability. As a mitigation measure the government stipulates government rregulation number 1 of 2020 that "State financial policy and financial system stability for handling the corona-virus disease 2019 (COVID-19) pandemic and in order to face threats that endanger the national economy and financial system stability" IMF (2020).

The Financial Services Authority (OJK) issued a PJOK consumer rotection decision (11/PJOK.03/2020) stating "national economic stimulation as a countercyclical policy the impact of the 2019 corona-virus disease spread in order to minimize banking risks". The second policy namely the restructuring policy (relief to pay debt installments) by increasing the amount of credit that is financed changes smoothly after restructuring during the validity period of the PJOK. The banks policy was determined without considering the type of debtor as well as the ceiling limit of the OJK (2020).

The COVID-19 pandemic has resulted in many banking companies adopting earnings management policies. Reasonable regulatory measures from the banking sector namely loosening capital buffers and loosening handling of non performing loans have been taken to mitigate the negative impact of COVID-19 Goodell (2020) financial system stability. On the other hand, the policies of banks operating in other countries are not stable. On the one hand banks have to face fierce competition in the banking industry, seriously limiting their ability, to perform well in an uncertain environment caused by the pandemic Sibley et al. (2020). This explains that the manager's decision in making policy establish earnings management actions is an expectation so that increased profits can be achieved and are able to reduce the amount of losses which will be presented in the form of reporting.

Some of the causes of banking managers taking action on earnings management is the influence of company size, profitability and deviden payout ratio. The first cause is the size of the company. Where the determination of the form of company as indicated by asset ownership, the amount of income turnover, profit gain, the main driver of the decline in stock market returns is the magnitude of policy involvement (Shanaev et al. 2020). Earnings management actions play an important role considering the size of the company. For small-sized companies most of them carry out earnings management because companies with small business asset ownership want to show the best possible performance conditions with the hope that shareholders easily entrust investment to be managed by Ashraf (2020). As for large companies because they are more observed and monitored and become public attention especially by shareholders large companies are more selective in financial reporting Ashraf (2020). Large companies are less motivated to practice earnings management actions, because investors as well as the general public are considered more critical when compared to assessments on small companies (Tirayoh et al. 2014).

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Data from the Central Statistics Agency (BPS) shows in August 2020, Indonesia's economic growth in the second quarter of 2020 was minus 5.32%. In addition to having an impact on Indonesia's economic growth the spread of the corona virus also has a negative impact on almost all industrial sectors of BPS (2020). One of the industrial sectors that are under pressure due to the outbreak of the corona virus is the banking sector. The banking sector is a service business sector that collects funds from the public and issues it back to the public in the form of credit. Shen et al. (2020). However, due to the corona virus pandemic, the banking world cannot freely distribute credit this is due to the higher inherent risk of creditors because the majority of people both individuals and companies tend to experience a decline in income during the pandemic. In fact, data from the Financial Services Authority in March 2020 showed that there had been an increase in credit risk class 2 and 3 in the banking sector compared to the previous year OJK (2020).

LITERATURE REVIEW
Government Policy Implementation, Before And During The Covid-19 Pandemic
Financial performance generally measures the effectiveness and efficiency in seeking funding and managing funding sources (Epstein et al. 2015). Likewise, according to Armereo et al. (2020) which states that an overview of the financial condition of a company is analyzed using financial analysis tools so that it is known whether the financial condition of a company is in good or bad condition.

In measuring financial performance there are 146 indicators that are used to determine whether a company has been run well (Camerinelli 2016). indicators used to assess the financial performance of banks according to (Elsas et al. 2010) is by using the analysis of capital, assets, management, earnings and liquidity (CAMELS). CAMELS analysis is an analysis that assesses financial performance seen from several aspects such as capital, assets, management, earnings, liquidity, and sensitivity to market risk. Following are the aspects which are assessed from Camel's analysis. From several studies it is a form of action among several concepts including financial achievement. Following that based on the decree of the Financial Services Authority (OJK) referring to number 28/SEOJK.03/2019 regarding the assessment system bank health principles OJK (2019) it is recommended five rules in the process of determining achievement, namely:

Capital
In this aspect, the measurement is the assets owned by the bank which are based on the use of authorized capital which is set by the government. The capital aspect indicator is the Capital Adequacy Ratio (CAR). CAR with the formula as follows:

$$CAR = \frac{Owners\ Equity}{ATMR} \times 100\%$$

The criteria for determining the composite CAR (Capital Adequacy Ratio) if the CAR ratio is greater than 8% then the bank is declared healthy. If the CAR ratio is 7.9% to 8% then the bank is declared quite healthy. If the CAR ratio is 6.5% less than 7.9% then the bank is declared unhealthy. If the CAR ratio is less than 6.5% then the bank is declared unhealthy by the OJK (2019). In the field of banking banks as organizations which are profit oriented must earn financial returns as reflected in return on assets (ROA), return on equity (ROE), and return on investment (ROI) Muhammadin et al. (2020). The main function of the bank as an intermediary institution is to channel funds from the parties with surplus funds in the form of deposits to the party units in need of funds in the form of financing. Capital Adequacy Ratio (CAR) is a financial ratio which measures the level of capital adequacy ratio of a bank. According to Ridjal & Muhammadin (2018), CAR demonstrates the ability of banks to maintain capital adequacy and the ability of bank management to identify, measure, monitor and control the risks that arise can affect the size of the capital.
Hypothesis 1: Capital adequacy ratio positive influence on third party funds

Assets
The purpose of the NPL is to measure the proportion of non performing loan to total loan. An assessment that describes the quality of banking assets which shows the ability to maintain funds and return funds that have been invested. Earning Asset Quality (KAP) can be measured using the ratio of Non Performing Loan (NPL) which that is the ratio measures the performance of bad loans a bank. KAP assessment criteria using the NPL ratio are as follows:

$$NPL = \frac{Non\ Performing\ Loan}{Loan\ Total} \times 100\%$$

The criteria for determining the NPL namely if the NPL ratio is less than 2% then the bank is declared very healthy. If the NPL ratio is 2% to 5% the bank is declared healthy. If the NPL ratio is small from 5% to 8% the bank is declared healthy. If the NPL ratio is

less than 8% to 12% then the bank is declared unhealthy. If the NPL ratio is more than 12% then the bank is declared unhealthy. Judging from the criteria for determining the composite rating above the key to assessing the LDR ratio the bank is not healthy OJK (2019).

A similar thing was done by Cornett et al. (2010) on a study of compliance against section 20 subsidiaries on bank work output, measured by profitability, capital risk, asset quality indicators, operational efficiency, liquidity and growth. The results of the study found that banks that adjust in investment banking in 20 parts of subsidiaries will further improve in terms of return on assets (ROA) as good as the determination of Non Performing Loan (NPL) as Indicators of asset quality, operational efficiency are two of an important part to maintain bank liquidity.

Similarly, Naeem et al. (2021) suggest financial development in terms of stock market capitalization, improve bank scores, and reduce non-performing loans, meaning that financial development on average reduces bank risk.

Hypothesis 2 : Non performing loan positive influence on third party funds

Management

Management describes the quality of human resources who do a job. The indicator of the management aspect is to use the Net Profit Margin (NPM) which is a ratio which shows management's ability to manage resources use or allocate funds efficiently. NPM is formulated as follows:

$$NPM = \frac{Net\ Profit}{Operational\ Profit} \times 100\%$$

Determination of NPM, namely if the NPM ratio is less than or equal to 100% then the bank is declared healthy. If the NPM ratio is 81% to 99% then the bank is declared quite healthy. If the NPM ratio is 66% to 80% then the bank is declared unhealthy. If the NPM ratio is less than 66% then the bank is declared unhealthy OJK (2019).

NPM measures the company's ability to generate net profit from the company's sales. This ratio reflects the efficiency of all parts, namely production, personnel, marketing, and finance in the company. The larger the NPM, the better the company's performance will increase investor confidence to invest in the company. This is due to government policies such as the ratification of the Job Creation Act and the COVID-19 vaccination plan. Profit growth is a ratio which shows the company's ability to increase net profit compared to the previous period. Profit growth showing an increase or decrease in profit per year. Profit growth can be used to assess the performance of a company. Profit growth is influenced by several factors including Current Ratio, Debt Equity Ratio, Inventory Turnover, Total Asset Turnover, Net Profit Margin and Earning per Share IDX period (2016-2019).

The results of research conducted by Ridjal & Muhammadin (2018) which entitled the effect of dividends per share, Return on Equity and Net Profit Margin on stock prices of manufacturing industry companies listed on the Indonesia Stock Exchange for the period 2006-2010, states that NPM has a positive and significant effect on stock prices. Net Profit Margin is a ratio that calculates the company's ability to generate net profit at a certain level of sales (David 2010).

Hypothesis 3 : Net Profit Margin has a positive influence on third party funds.

Profitability

Understanding Return on Assets (ROA) according to Rivai et al. (2013) is the company's ability to use its assets to generate profits. This ratio measures the rate of return on investment that the company makes using all the funds (assets) it has. This rate is comparable to current bank interest rates. To calculate the ROA ratio, use the following formula:

$$ROA = \frac{Profit}{Total\ Assets} \times 100\%$$

The criteria for determining ROA are if the ROA ratio is greater than 1.5% then the bank is declared very healthy. If the ROA ratio is 1.25% less than or equal to 1.5% then the bank is declared healthy. If the ROA ratio is less than 0.5% less than or equal to 1.25% then the bank is declared quite healthy. If the ROA ratio is 0% less than or equal to 0.5% then the bank is declared unhealthy. If the ROA ratio is less than 0% then the bank is declared unhealthy OJK (2019).

So overall that the generic strategy has a positive effect on banking performance. Most managers explain the company's performance with strategy proving that strategists alike argue that improving a company's overall performance should start with financial focus which is good as well as paying attention to very basic details in a banking company with an emphasis of CAR, ROA, ROE, NIM, BOPO, NII, LDR, and NPL in shaping strategy planning and generic strategy Muhammadin & Ramli (2018).

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Bank profitability in the economy is determined on a micro and macro basis. Profit at the micro level is a determinant needed by every competitive banking institution. At the macro level, banks must be able to absorb negative external influences to maintain financial system stability (Al-Homaidi et al., 2018).

Profitability reflects the bank's ability to generate profits through all available resource capabilities such as cash, capital, employees and branches. Previous studies have measured profitability with ROA and ROE (Al-Homaidi et al. 2018; Yahya et al. 2017).

Hypothesis 4 : Return on assets has a positive influence on third party funds

Return On Equity (Roe)

This aspect measures the ability of banks to increase profits and achieve business efficiency. The assessment of the profitability aspect is based on two ratios, namely Return on Equity (ROE) the purpose of the ratio is to measure the ability of paid-in capital in generating profits. The large the ratio the greater the ability of the banks paid-up capital to generate profit for shareholders.

$$ROE = \frac{Net\ Profit}{Total\ Equity} \times 100\%$$

The criteria for determining ROE are if the ROE ratio is greater than 15% then the bank is declared very healthy. If the ROE ratio is 12.5% less than or equal to 15% then the bank is declared healthy. If the ROE ratio is less than 5% less than or equal to 12.5% then the bank is declared quite healthy. If the ROE ratio is 0% less than or equal to 5% the bank is declared unhealthy. If the ROA ratio is less than or equal to 0% then the bank is declared unhealthy OJK (2019).

In the field of banking banks as profit entities must achieve projected financial benefits such as Return on Assets (ROA), Return on Equity (ROE) and Return on Investment (ROI) Muhammadin et al.. (2020). The main function of the bank as an intermediary institution is to channel funds from parties who have excess funds in the form of deposits to units of parties that need funds in the form of financing. Capital Adequacy Ratio (CAR) is a financial ratio, which measures the level of capital adequacy of a bank.

As for the performance of the company in this study it was measured using subjective measures. Subjective actions meet generic goals and performance covering return on assets (ROA), return on equity (ROE), increased sales, revenue growth, market segment changes, current ratios and competitor position. Measurement scales to meet goals and adjusted relative competitive performance (Bank Indonesia 2008, 2013). So it can be summarized overall that generic strategies have a positive influence on banking performance. Most managers explain company performance with strategy proving that strategists equally argue that improving company performance as a whole should start with good financial focus as well as paying attention to very basic details in banking company with emphasis of CAR, ROA, ROE, NIM, BOPO, NII, LDR, and NPL in shaping strategic planning and generic strategies.

Hypothesis 5 : Return on Equity has a positive influence on third party funds.

Operational Income (Bopo)

The ratio of Operating Expenses to Operating Income (BOPO) is calculated using the following formula:

$$BOPO = \frac{Operating\ Expenses}{Operating\ Income} \times 100\%$$

The criteria for determining the BOPO are, If the BOPO ratio is less than 93.52%, then the bank is declared healthy. If the BOPO ratio is 93.52% to 94.73%, then the bank is declared quite healthy. If the BOPO ratio is 94.73% to 95.92%, then the bank is declared unhealthy. If the BOPO ratio is greater than 95.92%, then the OJK is declared unhealthy OJK (2019).

A common criticism of using ROE as an important performance measure is that ROE plays a role in providing high leverage in banks (Goodhart 2013; Thakor 2014). This raises the question that the effect of ROE before the crisis on bank risk may be due to the effect of leverage. We solve this problem in two ways. First, in our primary test, we examined several measures of bank equity and still observe the strong impact of pre-crisis ROE. This suggests that pre-crisis ROE is associated with higher bank risk during a crisis, above and beyond leverage and funding issues. Second, we reproduce our main regression using ROA or RORWA instead of ROE. We find that both measures are associated with higher risk during a crisis, suggesting that the ROE effect is not driven solely by the leverage effect.

The implementation of the basics of internal financial management remains guided by the Bank of Indonesia (BI) in financial stability strategy to support the achievement of BI strategic objectives, namely, the preservation of financial stability and

the stability of the financial system. The focus of the implementation of internal financial management is on efforts to improve governance and increasing the effective and efficient use of the budget (Bank Indonesia 2014). These include Return on Asset (ROA) which is good at least 1.5% while banking ROA averages 2.6%, Return On Equity (ROE) ratio to calculate a company's management ability in managing available capital to earning income. Net Interest Margin (NIM) average current assets, operating burden on banking operating income (BOPO) average 87%, high Non Interest Income (NII), LDR minimum 50%, NPL less than 5%. Bank Indonesia (2008).

Hypothesis 6 : Operating Expense and Operating Income have a positive influence on Third Party Funds

Liquidity

Liquidity is related to the short-term solvency of the bank. The more a bank can pay its debts the more liquid the bank is. In this case the evaluation focuses on the ratio of net liabilities to current assets and the ratio of loans to funds received by the bank. In this context, the Credit to Deposit Ratio (LDR) is a financial ratio that can represent an assessment of the soundness of a bank in terms of liquidity. The LDR calculation formula can be formulated as follows:

$$\frac{\text{Loan Given}}{\text{Funds Received}} \times 100\%$$

Criteria for determining the LDR, namely If the LDR ratio is less than 94.75%, then the bank is declared healthy. If the LDR ratio is 94.75% to 98.75%, then the bank is declared quite healthy. If the LDR ratio is 98.75% to 102.25%, then the bank is declared unhealthy. If the LDR ratio is a large value of 102.25%, then the bank is declared unhealthy OJK (2019).

The two main activities of banks are collecting fund are sourced from the community in deposits and savings are then returned to the community in the form of loans. Banks must be able to balance the amount of deposits with loans (credit). LDR explains the extent to which a bank's ability to repay withdrawals made by depositors depends on the benefits of the loan provided as a source of liquidity. The bank's profit sourced from margin of difference between credit interest rate and interest on savings and deposits. Research conducted by Muhammadin et al. (2020) states that LDR affects the corporate profits while LDR do not have effect on banking financial performance Muhammadin et al. (2014; 2015).

Hypothesis 7 : Loan to deposit ratio has a positive influence on third party funds

Sensitivity To Market Risk

The sensitivity is influence of changes and movements of market variables which can affect market conditions and market risk management application reported. The assessment of the sensitivity ratio to market risk is based on the Interest Expense Ratio (IER). This ratio is a measure of the cost of funds put together by bank which can show the efficiency from the bank in collecting its sources of funds. The standard criteria by Bank Indonesia are considered healthy if the interest expense ratio is below 5%. The following is the formula for calculating the Interest Expense Ratio (IER).

$$\text{IER} = \frac{\text{Interest Paid}}{\text{Total Deposit}} \times 100\%$$

The criteria for determining IER are if the IER ratio is large equal to 2% then the bank is declared very healthy. If the IER ratio is 1.5% less than 2% then the bank is declared healthy. If the IER ratio is 1% less than 1.5% then the bank is declared quite healthy. If the IER ratio is 0.5% small or equal 1% then the bank is declared unhealthy. If the IER ratio is less than 0.5% then the bank is declared unhealthy by the OJK (2019).

Interest rate risk can cause profits to decline due to erratic fluctuations (Ekinci & Poyraz 2019). Interest rates have a negative impact, on bank earnings. The impact of fluctuating interest rates depends on the bank's income, and net worth in the balance sheet structure is between assets and liabilities to interest maturing. According to Al-Shabib (2015), interest rate risk is measured by the ratio of bank assets to liabilities. Short-term securities and loans with floating interest rates are assets against fluctuations in interest rates. Current accounts, savings deposits, short-term deposits and loans taken by banks are liabilities to interest rates, while performance is measured on assets to changes in interest rates and bank liabilities to changes in interest rates. In addition, the opinion of Ngalawa and Ngare (2014) emphasizes that the ratio of net interest income to total bank income will show an expansion of interest rate risk exposure. In addition, a number of determinants such as non performing loans, asset quality, management quality, liquidity, loan-to-deposit ratios, cash-to-total-asset ratios and capital efficiency also affect finances (Mobarak 2020).

Hypothesis 8 : Interest expense ratio has positive influence on third party funds.

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Third Party Funds

One of the obstacles for every company in carrying out its activities is the problem of funding needs. The importance of funds ensures that every company strives to find suitable sources of funds, including financial institutions such as banks. The source of bank funds is the bank's efforts to obtain funds to finance its operational activities. Sources of bank funds can be obtained from the bank itself, the general public and other institutions. According to Kasmir (2014) in his book basic of banking states that, third party funds (DPK) are funds collected by banks from the wider community, consisting of demand deposits, savings and time deposits. Meanwhile, according to Rivai (2007), states that: "Third party funds are funds obtained from the community, in the sense of the community as individuals, companies, governments, households, cooperatives, foundations and others both in rupiah and in foreign currency".

There are several types of banking funding sources: (1) Fund sources It was also explained that among the three funding sources, funds from the public were easier to obtain and widely available in the community. These funds obtained from the community are known as Third Party Funds obtained from the community in the form of savings (Kasmir 2014). Third party funds (DPK) consist of current accounts and time deposits. DPK comes from non-financial companies, individuals, and others. Types of third party funds include:

1. Savings Deposits are deposits of customers who deposit or withdraw their funds according to certain provisions that apply to each bank. In addition, according to Law Number 10 concerning Banking of the Republic of Indonesia of 1998, the definition of savings is a deposit which can only be withdrawn under certain conditions that have been previously agreed upon but cannot be used for withdrawals. checks, demand deposits, and other instruments of similar function.

2. Current Account Time deposit account means that deposits or third party savings in banks, checks and warrants can be used at any time for other payments or by bank transfer.

3. Deposits Time deposits are time deposits whose withdrawals can be made with prior agreement by the bank, but within a certain period of time (Kuncoro, M., 2002). This fund is the most important funding for the banking business because it supports operational activities and bank clearance measures if the bank is able to finance operations from this source. This also shows a very high level of public trust.

Third party funds are like the "hearth" running all components in the banking industry. It can be seen that most of bank capital or more 80% of funding comes from third party funds. In addition, with the existence of third party funds, the function of banking as an institution of trust and an intermediary function that collects funding from the public, and distributes it to the public, in the form of loans can be realized. Meanwhile, Porretta et al. (2020) explains that the credit risk management process in the banking sector must know the regulatory system framework, and accounting, before making a plan, which is useful for policy makers (Porretta et al. 2020).

Table 1. Operational definition of variables

Variable	Definition	Indicator
Capital	Aspects that assess the bank's capital side, which is based on the bank's minimum capital requirement, before and during the covid-19 pandemic	Capital Adequacy Ratio (CAR)
Asset	Aspects that assess the types of assets owned by banks before and during the Covid-19 pandemic	Non Perforrming Loan(NPL)
Management	Aspects that measure a bank's ability to fulfill its short-term obligations before and during the Covid-19 pandemic	Net Profit Margin (NPM)
Earning	Aspects that measure the bank's ability to generate profits before and during the Covid-19 pandemic	Return on Assets (ROA) Return On Equity (ROE) Operating Expenses to Operational Income (BOPO)
Liquidity	Aspect ratio that measures the composition of the amount of credit granted compared to the amount of public funds and own capital used before and during the Covid-19 pandemic	Loan Deposit Ratio (LDR)
Sensitivity to Market Risk	Aspects of the size of the cost of funds collected by the bank which can show the efficiency of the bank in collecting its sources of funds before and during the Covid-19 pandemic	Interest Expense Ratio (IER)

Source: Research (2023)

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METHODOLOGY

In collecting data, to conduct this research, primary data and secondary data were used. From primary data, obtained by distributing questionnaires to respondents who have met certain criteria and categories. In this case, the questionnaire includes several question items, explaining the intent and purpose, to make it easier to fill out. This research was conducted using a research approach, with secondary data including secondary data is obtained from the annual reports of Bank Indonesia, Indonesian economic reports, books, scientific papers and in an effort to strengthen the core concepts of analysis.

Population And Samples

This general research unit is, all commercial banks in the city of Makassar as many as 67 banks. Information on research conducted, to examine research using the method of use, Statistical Product and Service Solutions (SPSS). The unit analysis is the banking sector with the target participants consisting of regional leaders, branch leaders, and managers to answer the questionnaire. Branch leaders or executives who are considered to have in-depth knowledge of the strategies and public policies of the banks they manage.

Table 2. Population and sample

No	Type bank	Respondents	Participation answer	Participation no answer
1	Government bank	5	5	-
2	National private bank	42	37	5
3	Rural bank	13	8	5
4	Mix bank	3	2	1
5	Foreign bank	4	3	1
	Total	67	55	12

Source: Research (2023)

Table 3. Respondent profiles

Respondent	Frequency (n)	Percentage (%)
Type of bank		
Government Bank	5	9.1
National Private Bank	37	67.3
Rural Bank	8	14.5
Mix Bank	2	3.6
Foreign Bank	3	5.5
Total	55	100.0
Gender		
Male	42	76.4
Female	13	23.6
Total	55	100.0
Position		
Regional leader	2	3.6
Branch Manager	27	49.1
Manager	26	47.3
Total	55	100.0

Source: Research (2023)

Table 4. Descriptive statistics before and during COVID-19

Before COVID-19	N	Max.	Min.	Mean	SD	During COVID-19	N	Max.	Min.	Mean	SD
CAR	55	1	2	1.05	.229	CAR	55	1	2	1.44	.501
NPL	55	1	2	1.04	.189	NPL	55	1	2	1.44	.501
NPM	55	1	2	1.07	.262	NPM	55	1	2	1.56	.501

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ROA	55	1	2	1.09	.290	ROA	55	1	2	1.58	.498
ROE	55	1	2	1.02	.135	ROE	55	1	2	1.71	.458
BOPO	55	1	2	1.04	.189	BOPO	55	1	2	1.56	.501
LDR	55	1	2	1.02	.135	LDR	55	1	2	1.69	.466
IER	55	1	2	1.16	.373	IER	55	1	2	1.73	.449
Saving Account	55	1	2	1.09	.290	Saving Account	55	1	2	1.85	.356
Current Account	55	1	2	1.18	.389	Current Account	55	1	2	1.95	.229
Time Deposit	55	1	2	1.11	.315	Time Deposit	55	1	2	1.96	.189

Table 5. Before COVID-19

Questions (Before COVID-19)	Frequency (n)	Percentage (%)
Does the CAR at your branch reach ≥ 8%?		
Yes	52	94.5
No	3	5.5
Does the NPL at your branch reach ≥ 2%?		
Yes	53	96.4
No	2	3.6
Does the NPM at your branch reach ≥ 100%?		
Yes	51	92.7
No	4	7.3
Does the ROA at your branch reach ≥ 1,5%?		
Yes	50	90.9
No	5	9.1
Does the ROE at your branch reach ≥ 15%?		
Yes	54	98.2
No	1	1.8
Does the BOPO at your branch reach ≤ 93,52%?		
Yes	53	96.4
No	2	3.6
Does the LDR at your branch reach ≤ 94,75%?		
Yes	54	98.2
No	1	1.8
Does the IER at your branch reach ≥ 2%		
Yes	46	83.6
No	9	16.4
Did the savings account at your branch reach the target?		
Yes	50	90.9
No	5	9.1
Did the current account at your branch reach the target?		
Yes	45	81.8
No	10	18.2
Did the time deposit at your branch reach the target?		
Yes	49	89.1

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No	6	10.9

Source: Research (2023)

Table 6. During COVID-19

Questions (During COVID-19)	Frequency (n)	Percentage (%)
Does the CAR at your branch reach ≥ 8%?		
Yes	31	56.4
No	24	43.6
Does the NPL at your branch reach ≥ 2%?		
Yes	31	51.6
No	24	48.4
Does the NPM at your branch reach ≥ 100%?		
Yes	24	43.6
No	31	56.4
Does the ROA at your branch reach ≥ 1,5%?		
Yes	23	41.8
No	32	58.2
Does the ROE at your branch reach ≥ 15%?		
Yes	16	29.1
No	39	70.9
Does the BOPO at your branch reach ≤ 93,52%?		
Yes	24	40.5
No	31	59.5
Does the LDR at your branch reach ≤ 94,75%?		
Yes	17	30.9
No	38	69.1
Does the IER at your branch reach ≥ 2%		
Yes	15	27.3
No	40	72.7
Did the savings account at your branch reach the target?		
Yes	8	14.5
No	47	85.5
Did the current account at your branch reach the target?		
Yes	3	5.5
No	52	94.5
Did the time deposit at your branch reach the target?		
Yes	2	3.6
No	53	96.4

Source: Research (2023)

Table 7. Correlation variable before and during COVID-19

Before COVID-19	CAR	NPL	NPM	ROA	ROE	BOPO	LDR	IER	SA	CA	TD
CAR	1										
NPL	-.047	1									
NPM	.549[**]	-.054	1								
ROA	-.076	-.061	-.089	1							
ROE	-.033	-.026	-.038	-.043	1						

	CAR	NPL	NPM	ROA	ROE	BOPO	LDR	IER	SA	CA	TD
BOPO	-.047	-.038	.320*	-.061	-.026	1					
LDR	.567**	-.026	-.038	-.043	-.019	-.026	1				
IER	-.106	-.086	.065	-.140	-.060	.439**	-.060	1			
SA	.203	-.061	.155	-.100	-.043	-.061	-.043	.031	1		
CA	.302*	-.092	.231	.179	.289*	.412**	.289*	.046	.015	1	
TD	-.084	.555**	-.098	.092	-.048	-.068	-.048	.161	.092	-.014	1
During COVID-19	CAR	NPL	NPM	ROA	ROE	BOPO	LDR	IER	SA	CA	TD
CAR	1										
NPL	.261	1									
NPM	-.113	-.113	1								
ROA	.077	.077	.220	1							
ROE	.160	.321*	.244	.269*	1						
BOPO	.109	.257	.113	.072	.324*	1					
LDR	-.125	.192	.284*	.151	.351**	.125	1				
IER	.456**	.374**	.202	.391**	.417**	.120	.120	1			
SA	.051	.155	.053	-.036	.076	-.155	.282*	-.021	1		
CA	.211	.211	.273*	.283*	.375**	.273*	.359**	.392**	-.099	1	
TD	-.025	-.025	.025	.229	.089	.025	.290*	.099	-.080	.381**	1

Source: Research (2023)

From descriptive statistics based on data Table 4 shows the minimum CAR is ≥ 8%, the minimum NPL is ≥ 2%, the minimum NPM is ≥ 100%, the minimum ROA is ≥ 1.5%, the minimum ROE is ≥ 15%, the minimum BOPO is ≤ 93.52%, the minimum LDR is ≤ 94.75%, the minimum IER is ≥ 2%, the saving account meets target, the current account meets target, and the time deposit meets target before COVID-19 the provisions of the rules of the financial services authority number 28 /seojk.03/2019 in the sample for the 2019 period is still in good condition because it is above the minimal provisions of the financial services authority (OJK).

Meanwhile, from descriptive statistics based on the data above in the period from 2020 to 2021 during the COVID-19 pandemic it shows the minimum CAR is ≥ 8%, the minimum NPL is ≥ 2%, the minimum NPM is ≥ 100%, the minimum ROA is ≥ 1.5%, the minimum ROE is ≥ 15%, the minimum BOPO is ≤ 93.52%, the minimum LDR is ≤ 94.75%, the minimum IER is ≥ 2%, saving accounts, current accounts, and time deposits did not meet the target, in accordance with the regulations of the financial services authority namely number 28/seojk.03/2019 in the observed sample period in a not good condition in accordance with the provisions set by the financial services authority (OJK).

Table 4 Pre COVID-19 CAR on the everage value 1.05%, pre COVID-19 NPL everage 1.04%, pre COVID-19 NPM everage value 1.07%, pre COVID-19 ROA everage 1.09%, Pre COVID-19 ROE mean 1.09%, pre COVID-19 ROE on the everage 1.02%, pre COVID-19 BOPO mean 1.04%, pre COVID-19 LDR everage 1.02%, pre COVID-19 IER average % 1.16, mean pre COVID-19 SA mean value 1.09%, pre COVID-19 CA score 1.18%, pre COVID-19 TD mean score 1.11%.

While CAR during COVID-19 averaged 1.44%, NPL during COVID-19 had an average of 1.44%, NPM during COVID-19 had an average of 1.56%, ROA during COVID-19 had an average value of 1.42%, ROE during COVID-19 an average value of 1.71%, BOPO during COVID-19 showed an average of 1.56%, LDR during COVID-19 had an average value of 1.69 %, IER during COVID-19 averaged 1.73%, SA during COVID-19 was 1.85% average, CA during COVID-19 averaged 1.95%, TD during COVID-19 has an average value of 1.96%. This shows that the data for each variable has a difference in the average value before and during COVID-19 the target of each bank from that set by the financial services authority in achieving the ratio.

Table 8. Paired samples statistic

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	CAR before covid19	1.05	55	.229	.031
	CAR during covid19	1.44	55	.501	.067
Pair 2	NPL before covid19	1.04	55	.189	.025
	NPL dunringcovid19	1.44	55	.501	.067
Pair 3	NPM before covid19	1.07	55	.262	.035
	NPM during covid 19	1.56	55	.501	.067

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Pair 4	ROA before covid19	1.09	55	.290	.039
	ROA during covid 19	1.42	55	.498	.067
Pair 5	ROE before covid19	1.02	55	.135	.018
	ROE during covid 19	1.71	55	.458	.062
Pair 6	BOPO before covid19	1.04	55	.189	.025
	BOPO during covid 19	1.56	55	.501	.067
Pair 7	LDR before covid19	1.02	55	.135	.018
	LDR during covid 19	1.69	55	.466	.063
Pair 8	IER before covid19	1.16	55	.373	.050
	IER during covid 19	1.73	55	.449	.061
Pair 9	SA before covid19	1.09	55	.290	.039
	SA during covid 19	1.85	55	.356	.048
Pair 10	CA before covid19	1.18	55	.389	.052
	CA during covid 19	1.95	55	.229	.031
Pair 11	TD before covid19	1.11	55	.315	.042
	TD during covid 19	1.96	55	.189	.025

Source: Research (2023)

DISCUSSION

Explanation of research results in tables 4 before and during COVID-19 it explains that the conditions set by OJK are standard CAR, NPL, NPM, ROA, ROE, BOPO, LDR, and IER for Saving accounts, Current accounts and Time deposits are on average above 90% meet the requirements set by the financial services authority (OJK). While in table 4 it shows that CAR, NPL, NPM, ROA, ROE, BOPO, LDR and IER for Saving accounts, Current accounts and Time deposits on average are below 50% so they do not reach the provisions set by the financial services authority (OJK) based on regulation number 28 /seojk.03/2019 concerning bank soundness rating system OJK (2019).

This finding is in line with the opinion (Ekinci & Poyraz 2019) Interest rate fluctuations depend on the bank's income and net income in the bank's balance sheet, including assets, liabilities payable, interest rates, and the maturity period of the capital. Therefore, the above ratio is the most important aspect in banking operations in collecting third party funds.

Table 4 shows that the standard deviation before and during COVID-19, shows that the data is normally distributed is a large significant value of 0.05. Table 7 the value of the correlation variable before and during the COVID-19 pandemic, that there is no problem of multicollinearity because the correlation value is quite small. If there is correlation indicates that the regression model has a multicollinearity problem. The multicollinearity test was obtained by calculating the tolerance value, Variance Inflation Factor (VIF). If the tolerance value exceeds 0.10 and VIF < 10, then there is no indication of multicollinearity in the test. This opinion is supported (Mobarak 2020) determine how well the company is using available resources to earn income. In this way it measures the level of soundness and prudential principles of an institution's finances. several determinants, the principle of bank soundness starting from asset quality, management quality, earning quality, liquidity ratio of loans to deposits, market risk sensitivity, the calculation of the ratio of cash to total assets as well as capital efficiency of course affect financial performance (Mobarak 2020; Muhammadin et al. 2020).

In measuring how much capital is owned by the banking sector, in supporting its operational activities. Based on the paired sample statistical test results in table 8 that there are significant differences for capital quality (CAR), asset quality (NPL), management quality (NPM), profit quality (ROA, ROE and BOPO), liquidity quality (LDR), risk sensitivity market (IER) and quality of third party funds (Saving Account/SA, Current Account/CA and Time Deposit/TD) on the average number and standard deviation of the banking sector before and during the covid 19 pandemic. These findings are comparable to research conducted by Porretta et al. (2020) which explains that third party funds are funds originating from the community in making demand deposits, loans or other transactions which are then redistributed for the welfare of the community. Third party funds from the public are very important in banks because the dominant bank has funds from third party funds. In addition, with third party funds, banks can realize the benefits of banks as banking intermediaries that collect funds and distribute funds to the public in the form of financing. Meanwhile, Chen et al. (2019) states that the credit risk management system in banks needs to analyze policies before planning and doing something useful for regulators Gouiaa et al. (2020).

CONCLUSION

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Based on data processing and data analysis results, it can be concluded that there are significant differences in Capital Edequecy Ratio (CAR), Non Performing Loan (NPL), net profit margin (NPM), Return on Assets (ROA), Return On Equity (ROE), Operating Expenses to Operational Income (BOPO), Loan Deposit Ratio (LDR), Interest Expense Ratio (IER), Saving Account (SA), Current Account (CA), and Time Deposit (TD) before and during the COVID-19 pandemic. This means that banks in Indonesia are still unable to survive in the midst of the pandemic in collecting funds from the public. Based on the results of paired samples statistics the average value before COVID-19 was < 0.05 and the average value during COVID-19 was > 0.05, which means that there are significant differences in CAMELS covering capital, assets, management, profitability, liquidity and market risk sensitivity to third party funds in the banking sector in Makassar.

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