ROLE OF BANKING IN THE PANDEMIC PERIOD OF COVID 19

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Abstract

The soundness level of the national banking sector after BI became an independent institution and with the separation of macro prudential institutional functions which became the duties and responsibilities of BI and micro prudential became the duties and responsibilities of the OJK since 2011, it has not shown satisfactory performance, especially in an effort to contribute to growth the national economy which tends to be low. As Defri Andri Head of the OJK Banking Supervision Department said during the Infobank webinar with The Chief Economist Forum with the theme "Bank Health and Negative Rumors in the Middle of a Pandemic", bank health can be seen from various data on the level of bank capital and liquidity based on OJK data in May 2020, the capital adequacy ratio (CAR) for banks at 22.16% (above the requirement). That is the NPL and DPK

Keywords CAR.DPL, NPL

preliminary

Various sectors have experienced a decline so that economic growth will reach 2.3 percent in 2020 and the world will also experience such a condition that the average bank health is uncertain, especially NPLCAR and DPL.

preliminary

In order to deal with the impact of the weakening of the financial services sector due to the Covid-19 virus pandemic, OJK has received new powers that can force banks to merge. Unmitigated, the Government has also prepared a maximum sanction of Rp1 trillion for banks that deliberately reject or ignore and obstruct consolidation. In his opinion, this is a good and systematic policy in an effort to reduce the number of banks deemed overdose in the country and even become the country with the largest number of banks in Southeast Asia. With the reduction in the number of banks, it is hoped that the supervision and guidance of banks will be better able to focus on quality than quantity of banks.

At the same time, he also hopes that he will become stronger, healthier and bigger in the future to have a competitive advantage to be able to make a significant contribution to the growth of the national economy. In addition, it can become a bank that is not only good at home, but also strives to compete and excel in the global arena to make the name of the Republic of Indonesia proud. Indonesia is very experienced and almost accustomed to dealing with crises from crisis to crisis, which is a very expensive but valuable lesson that started with the crisis that occurred in 1965. Then in the 1970s the energy crisis, the 1998 crisis, and the global financial crisis in 2008 and is now facing a crisis. The economy that came unexpectedly was covered in the Covid-19 pandemic that was no less severe and dangerous.

Theoretical basis

Outline of the Bank's Functions

The banking industry has undergone major changes in recent years. The industry has become more competitive due to deregulation of regulations. Currently, banks have flexibility in the services they offer, the locations in which they operate, and the rates they pay for deposits of depositors. Banks can be defined as business entities that collect funds from the public in the form of savings and distribute them to the public in the form of credit or other forms in order to improve the standard of living of the people at large. Digitalization is also disrupting the banking sector, where we see a transition from distribution networks: branch offices (physical), telephone banking services (analog), internet services and mobile banking (digital).

Definition of a central bank

Basically, the definition of a central bank is a financial institution or institution that has responsibility for monetary policy and creates a stable level of economic activity in a country.

The central bank is an institution owned by the private sector in a state government that is responsible for the stability of the currency value, the stability of the banking sector, maintaining the inflation rate, and the entire financial system in a country.

The role of the central bank in Indonesia itself is left to Bank Indonesia. thus, Bank Indonesia has full independent authority over the regulation and supervision of various activities of bank financial institutions in Indonesia.

Methodology

This research uses qualitative methods from various sources, especially from Indonesian banks. Data for 2020 during the Covid 19 pandemic and the data was taken from the internet

Research result

Furthermore, he said, many of the parameters used in the process of assessing the soundness level of a bank were partly in accordance with international standards by applying risk management from 2003 and revised back in 2011 according to developments. As of June 17, the ratio of liquid assets / non-core deposits and liquid assets / deposits was monitored at the levels of 123.2% and 26.2%, well above the threshold levels of 50% and 10%, respectively. Liquidity Coverage Ratio (LCR) is even above 150% in the context of liquidity. He disclosed that OJK as a member of the Basel Committee on Banking Supervision (BCBS) not only follows all regulations, but also assesses it as fully compliance, both in terms of liquidity standards and the provisions of large funds. OJK also stated that Indonesia should be proud because the soundness level of the national banking system is still within a strong limit.

Assessment of the Soundness of a Commercial Bank in accordance with POJK Number 4 / POJK.03 / 2016 chapter II article 3 paragraph 1 Banks are required to conduct self-assessment on the soundness level of a bank and article 6 banks are required to conduct an assessment of the Bank Soundness level individually using the approach risk (Risk-Based Bank Rating). As referred to in Article 2 paragraph 3, the scope of assessment of the factors (a) risk profile (risk profile) b. Good Corporate Governance (GCG); (c) profitability (earnings); and (d) capital or the RGEC method, which is an extension of the previous method, namely CAMEL. Article 7 risk profile assessment as referred to in Article 6 letter a, which is an assessment of RGEC where there are inherent risks and the quality of risk management implementation in Bank operations, must be carried out on 8 (eight) risks, namely; a. credit risk, b. operational, c. liquidity risk, d. operational risk, e. legal risk, f. strategic risk, g. compliance risk and h. reputation risk.

Quoted from a newspaper in Jakarta, it was reported that the majority of large banks experienced an increase in non-performing loans (NPL) in the first semester of 2020. This trend occurred, even though these banks had undertaken quite a large credit restructuring. The increase in NPL occurred because several debits had experienced problems in terms of cash flow before the Covid-19 pandemic broke out. After the pandemic occurred, debtors' cash flow became increasingly disrupted and moved into bad credit due to failure to restructure. As for June 2020, the ratio of non-performing loans (NPL) was in the range of 3.11% (gross) and 1.16% (net). On the other hand, Third Party Funds (DPK) grew up to 8% because people face the uncertainty of Covid, so people save just to be safe.

In facing the impact of Covid-19 which makes the national economy face negative growth, it tends to be stronger pushing towards the abyss of recession. So that a number of banks have been forced and have adopted a policy of write-offs and write-offs for loans that have been categorized as non-performing for a long time. The write-off action was in line with the significant increase in NPL. Usually done by banks to maintain the NPL ratio. When non-performing loans are written off in the balance sheet, NPL will automatically decrease and will affect reduced income which will erode profits with the consequence of decreasing bank capital. As faced by BCA, which recorded an NPL of 2.1% as of June 2020, a significant increase compared to June 2019 which was still 1.4%. As information on the decision to write off books was also carried out by PT Bank CIMB NIaga, it is estimated that there is a tendency for all books 4 to experience the same condition, especially books 3,2,1 to improve their NPL position tend to take the same policy of writing off books considering that many of the MSME sector the object of book financing 1,2 and 3 and the most affected by covid-19.

In a situation where the Covid-19 outbreak has not been resolved, bankers still have to take a professional vigilant attitude by upholding the principle of prudence by strengthening and anticipating the risk profile properly, the principles of good corporate governance, profitability and bank capital so that it is always maintained by continuing to form reserves for impairment losses (CKPN) to always have the resistance to any economic turbulence (shock) which is usually difficult to predict and comes suddenly. Given that in August 2020 the ratio of non-performing loans (NPL) or non-performing loans increased to a level of 3.22%, growing higher than the end of the second quarter of 2020 which was at the level of 3.11%. Even though the CAR ratio was maintained at a high enough level, reaching 23.39% compared to the second quarter of 2020 which was at 22.5% level. However, you still have to be vigilant by strengthening the RGEC and CKPN in order to anticipate things that are not desirable to happen.

In order to face the impact More about

Conclusion

- The Bank continues to strengthen its line of digital banking services and products to increase the utilization and culture of online transaction habits in the community, especially during the Covid-19 pandemic.

-Health protocol in the midst of the Covid-19 crisis has completely changed consumer behavior, with the emergence of a need for services with minimal contact between individuals. accelerating the banking digitization program.

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