

CHAPTER I

INTRODUCTION

1.1 Problem Identification

The role of bank is very important in economy and development of the country, this is because the bank has a function as a Financial Intermediary, which is a medium for collecting funds and channeling the public funds. Therefore, the growth of the bank is very concerned. Bank growth can be viewed from financial performance and non-financial performance. Fahmi (2014) states that financial ratios are very important to analyze the company's financial condition. The determining factor in economic development in a country is also to develop a dynamic banking sector.

There are several measurement on how to measure the profitability of a bank. Return of Asset (ROA) is one of the measurement for profitability which also equal to banks growth. In deciding to measure the profitability, there are also several indicator that influence the profitability itself. Munawir (2001) the changes in ROA either small or big influenced by total asset turnover and also profit margin, it could influence the profitability partially or simultaneously. While we could see the turnover efficiency of a bank's asset with asset turnover, with profit margin we could see a bank's efficiency in term of their sales. The final result of if these two increase, it will lead to an increase in Return on Assets. Another profitability indicator that is very vital in a bank is credit distribution. The role of the bank as a financial institution is never break free from credit problems, because most of the source of funds that have been collected by banks from the public are allocated for credit. Credit activities are one of the main activities of a bank. The amount of the credit distributed will also determine the profit for the bank, as the addition of funds that obtained are from the payment of the customers. Thus the amount of credit given, will also decide how much the profit will be obtained.

According to several published annual bank reports, several public banks experienced a significant decline from last year. One of the banks, namely Bank Negara Indonesia (BNI) experienced a decline in the profitability ratio, from a percentage of 2.4% in 2019 to 0.5% in 2020. The same thing happened to Bank Mandiri, which in 2019 recorded a ratio its

profitability is 3.03% to 1.64% in 2020. The decline in profitability percentage points at banks coincided with the recently emerging pandemic in Indonesia. Pandemic has caused the other countries to experience economic crisis and even recession. This could be seen by how the lockdown policy is actually has a contrary effect to a certain industries, especially those that cannot do their work from home, such as shop and market owners, where these industries cannot get their income if they just stay at home. therefore, this will affect not only the community's economy but also can cause problems for the banking sector, such as how the debtors who would prefer lending money from banks instead of saving, or how the general public will have a lack of the will to save their money.

Since February 5, 2020, Indonesia has imposed travel restrictions and banned any transit or entry to Indonesia for travelers from overseas, this matter happened because the spread of Covid-19 in Indonesia has been increasing. Due to the very fast transmission of the virus that passes through humans, the government has issued several regulations to suppress the spread of the virus, as previously mentioned. This has been going on for about a year since it was officially announced at the beginning of last year. Covid-19 had a visible impact on world economic development, not only the health of the people who have been affected but all economic activities in the country of Indonesia have also declined. The Covid-19 pandemic is a challenge for the business world, including the banking financial services industry. And to reduce the high rate of spread, not only the central government but local governments are working together to carry out some mitigation, one of which is by proposing the implementation of temporary quarantine or lockdown for several areas and public places that are classified as high risk of spreading.

As the occurrence of the pandemic, the intermediation function of the financial sector in Indonesia becomes weak due to limited credit growth followed by weak domestic demand and also prudence from each bank due to the continuation of the Covid-19 pandemic. So if the banking sector collapses, especially public bank because most of the funding in a country comes from the public bank, thus when collapse this will also have an impact on the economic sector. Therefore, the stagnation of economic activity will have an impact on the banking sector because the intermediation function does not run as it supposed to be.

As mentioned from the description above, in determining a bank's growth, there are lots of factors of choice, it could be from their financial performance or non-financial performance. In this analytical study, this thesis will try to analyze how the growth of the bank sector from 2017 to 2020, as pandemic occurred in 2020 author will also try to find how Covid-19 affect the bank growth as well, the banks growth indicator in this paper measured by profitability which is return on asset, also the growth was settled by analyzing the factors of credit distribution, their total asset turnover, and net profit margin of the bank.

1.2 Problems Statement

Through several studies it showed that there are differs result in analyzing the effect of bank's credit distribution, total asset turnover, and net profit margin to its bank's profitability. Which is why it's necessary to analyze the positive and negative effects of these factors in order to see if there's any changes of outcomes even during pandemic.

From the explanation above, the question that forms the basis of this study is, "What is the analysis of bank's growth and how is the impact of the covid-19 in Indonesia".

1. How is the relationship between credit distribution to a bank's profitability in Indonesia?
2. How does total asset turnover influence a bank's profitability in Indonesia?
3. How does net profit margin influence a bank's profitability in Indonesia?
4. What is the effect of Covid-19 to bank's profitability?

1.3 General Research Objectives

The objectives of this research are to analyze the relationships of credit distribution, total assets turn over, net profits margin, and covid-19, to see whether they could affect positively or negatively the bank's profitability in Indonesia from 2017 to 2020 by using linear panel data model.

1.4 Research Advantages

The benefits are expected to be taken from this study, including:

1. This research can expand lots of insights and knowledge about the analysis of bank's growth during covid-19.
2. The results can be used as study material and additional references for further research.

3. This research hopefully can be used as consideration for the government to formulate appropriate policies.

1.5 Structure of Writing

This systematics aiming to give an overall picture of this research. The following is the systematic of writing of this study:

CHAPTER I:

Introduction of this chapter consists of five sub-chapters, namely background, research problem, general research objectives, research advantages, and systematic of writing.

CHAPTER II:

This chapter including of three parts, which are, theoretical review, empirical review, and hypothesis. In the theoretical review, the theory that written in this study are explained. In the empirical review, containing of the results of the previous empirical study. Then, based on the theoretical reviews and empirical studies, the research hypotheses are compiled.

CHAPTER III:

This chapter contains several subsection, which are the theoretical framework of the research datas, types and source of data, empirical strategy, the definition of variables, and methods used in analyzing the data obtained.

CHAPTER IV:

This chapter is a discussion section which contain the result of the process. In this part, a discussion of the results of the research problems described above is explained.

CHAPTER V:

This chapter is the concluding part. It present conclusions from the research results that have been obtained, along with suggestions that can be used for further research.

