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Soundness Level of the Regional Development Banks Using REGC Method During COVID – 19 Pandemic

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ABSTRACT

The COVID-19 Pandemic has been the main challenge for the banking industry, which functions as financial intermediation and one of the pillars supporting economic development. The study employs the REGC (Risk Profile, Earnings, Good Corporate Governance, Capital) method to investigate the soundness level of regional development banks in eastern Indonesia during the Covid-19 Pandemic. The type of research in the study is a descriptive method with a quantitative approach. The object of this research is eight regional development banks in eastern Indonesia. The financial statements, such as the Balance Sheet and the Income Statement from 2020 to 2021, will be analyzed. The study finds that during the COVID-19 pandemic, all banks showed good soundness, reflected in composite rankings 1 and 2. Banks must improve the efficacy of their risk management and governance implementation to enable the bank to identify problems sooner and implement appropriate and faster improvements to make it more resilient in the face of crises, so the bank can keep maintaining excellent performance to support the development of eastern Indonesia, which is the main focus of national development.

Keywords: Composite Ranking, Covid 19-Pandemic, REGC, Regional Development Bank, Soundness Level.

INTRODUCTION

The coronavirus disease 19 (COVID-19) is a highly transmittable and pathogenic viral infection caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2), which caused a global pandemic that led to a dramatic loss of human life worldwide (Shereen et al., 2020). In Indonesia, the first case of COVID-19 was detected on March 2, 2020. It was confirmed that two Indonesians were diagnosed with the virus from their contact with a Japanese person (Ratcliffe, 2020). On April 9, 2020, this pandemic spread to various provinces in Indonesia, including DKI Jakarta, Central Java, and East Java, the provinces most exposed to Covid-19 in Indonesia.

Unavoidably, the rapid spread caused major repercussions in many aspects of life, including the economy, The paralysis of economic activity in a country will result in slowing economic growth, and weak economic activity is also caused by the application of physical distancing carried out to prevent the COVID-19 disease (Krisetiawati, 2021). Indonesia's economy in 2020 has a contraction of 2.07% compared to 2019, and in 2021 expanded by 3.69% (Badan Pusat Statistik, 2021). It is far less than the national economic growth target of 5.31% in 2020 and 4% in 2021.

Various kinds of financial institutions, especially banks, fully contribute to the country's activities in terms of the economy. The COVID-19 pandemic has been the main challenge for the banking industry, which functions as financial intermediation and one of the pillars supporting economic development. As intermediary institutions, banks are susceptible to experiencing a liquidity deficit. This is because public panic causes a massive withdrawal of funds (Anita, 2021). Many banks face unsustainable credit payments by customers because people lose their jobs during a pandemic. This affects the installment payment process from loans owned by the community, which can affect bank income (Handayani et al. l., 2020). There was a decline in performance in the national banking sector in 2020, as indicated in the Capital Adequacy Ratio (CAR), which fell to 22.50% compared to 2019, which was 23.31%. Non-performing loans (NPL) increased to 3.11% compared to 2019, which was 2.53%. In 2021, there was an improvement in banking performance nationally, CAR rose to 25.67%, and NPL fell to 3% (Bank Indonesia,2021).

Regional Development Bank (BPD) was established by Act No. 13, 1962, on the principles governing the provision of Regional Development Banks, which mandated the establishment of a regional development bank in each province of Indonesia, acting as an intermediary for investors in that region and as holders of local finance (Sengkey, 2010). The role of BPD has more significant potential in the era of autonomy regions, namely as accelerators and dynamizing the economy, which aims to drive development in the regions. Professional accountability and high competitiveness will strengthen the role of BPD in carrying out its duties as drivers of regional development and economy (Purwanto, 2019).

The Eastern Indonesia region is a priority area in the Government's medium-term development plan. Infrastructure development, human resource development, investment, bureaucratic reform, and the effectiveness of regional budgets are the five core problems that must be resolved (Kementerian Perencanaan Pembangunan Nasional, 2019). Seeing the importance of BPD's role in supporting a region's economy and the economy's dynamics requires BPD to continue to innovate to maintain good performance.

As the banking industry is the backbone of the Indonesian economy and an essential financial intermediary, its capacity to manage its soundness is crucial to the economic stability of Indonesia as a whole (Majid et all., 2014). Bank soundness is a crucial case in the banking sector. (Saiya & Pandowo, 2014)) state that a healthy bank is a bank that can carry out its functions properly.

Evaluation of bank health is essential because the bank is entrusted with the community's funds. Banks are also required to project business lines that can generate good profits to keep banking conditions healthy during this pandemic (Azmi et all., 2021). Assessment of the soundness level of commercial banks based on Financial Service Authority (OJK) regulation *no. 14 / SEOJK.03 / 2017*. The rule uses four measures to evaluate the asset management of banks: Risk Profile (R), Earnings (E), Good Corporate Governance (G), and Capital (C). In short, these four indicators are known by the acronym "*REGC*."

In previous research, Nabila et all., (2022); Wahasusmiah & Watie (2018) examined the soundness of Islamic Commercial Banks with the REGC Method. Majid et all., (2014) also examined the quality of conventional and Islamic banks' asset management in Indonesia between 2009 and 2011. Dinarjit & Priatna (2021) examined the *State-Owned* Bank soundness Level. Siagian & Rinaldi (2020) examined the soundness of Banks listed on the IDX using the RGEC method. Some research on the BPD soundness level still uses the CAMEL method.

There is still a lack of research that discusses the level of BPD Soundness using the RGEC method, especially BPDs in eastern Indonesia, so the research conducted with the aim of determining the level of BPD Soundness using RGEC method in Eastern Indonesia which is BPD Sulawesi Utara & Gorontalo, BPD Sulawesi Tengah, BPD Sulawesi Tenggara, BPD Sulawesi Selatan & Barat, BPD Nusa Tenggara Timur, BPD Maluku & Maluku Utara dan BPD Papua during 2020 – 2021 period.

The result of this study can provide a meaningful understanding of the performance and financial position of a Bank, especially to face the dynamics of the economy in this Pandemic COVID-19 and the increasingly fierce level of competition requires BPD to continue to maintain good performance and innovate to produce products and services that suit customer needs.

LITERATURE REVIEW

Financial Performance

The company's financial performance is helpful to test and measure the profitability and operational efficiency of the bank to improve the health position or performance of the company's value. It is measured through financial statements, balance sheets, income statements, and company cash flow statements needed by certain parties. Measuring instruments used to assess a company's financial performance include financial ratios and economic value-added / EVA (Brealey et all., 2007, p.69). Financial ratios are a convenient way to summarize a large amount of financial data and compare the company’s performance (Brealey et al., 2007, p.85). These ratios can provide meaningful information by comparing the financial data of a company between times (for example, over the past five years) to find out its trends, as well as comparing the ratio of a company to other companies (Martin et all., 2005, p.254).

Bank Soundness
The bank's soundness level results from an assessment of the bank's condition based on the bank's risks and performance. By the Financial Services Authority (OJK) regulation regarding assessing the soundness level of commercial banks as stated in *OJK regulation NO. 14 / SEOJK.03 / 2017*. The bank's soundness level assessment includes Risk Profile, Good Corporate Governance, Rentability, and Capital or RGEC. The RGEC method is an evolution of the preceding CAMELS method.

Risk Profile
Risk profile factor assessment evaluates inherent risk and the quality of Risk Management's application to the bank's operational activities. This study evaluated credit risk and liquidity risk as risk factors.

Credit Risk. Credit risk is the risk due to the failure of other parties to fulfill obligations to the bank, including credit risk due to debtor failure, credit concentration risk, counterparty credit risk, and settlement risk (Otoritas Jasa Keuangan, 2017). The ratio used in this study is the non-performing loan ratio (NPL).

Liquidity Risk. Liquidity risk is the inability of a bank to meet overdue liabilities from cash flow funding sources or from high-quality liquid assets that can be collateralized without affecting the bank's operations and financial condition. Similarly known as funding liquidity risk. Liquidity Risk can also be caused by a bank's inability to liquidate assets without being exposed to substantial discounts because of a lack of an active market or a severe market disruption (Sengkey, 2010). This danger is known as market liquidity risk. This study uses the Loan to Deposit Ratio as its liquidity ratio (LDR).

Good Corporate Governance
Governance assessment assesses bank management's quality for applying sound governance principles. The assessment of good corporate governance (GCG) factors is an assessment of the quality of bank management for implementing GCG principles (Mulazid, 2016). The implementation of GCG for commercial banks was created with several considerations, including improving bank performance, protecting stakeholders' interests, and strengthening the internal conditions of the national banking industry in accordance with the Indonesian Banking Architecture (API) (Sumanti, 2012). The principles of good corporate governance are guided by Bank Indonesia's provisions regarding the implementation of GCG, namely:

Transparency. Transparency is information disclosure, both in decision-making and in disclosing material and relevant information about the company.

Accountability. Accountability is the clarity of functions, structures, systems, and accountability of company organs, so that company management is carried out effectively.

Responsibility. Responsibility is conformity of bank management with applicable laws and regulations and principles of sound bank management. Corporate responsibility is conformity (compliance) in the company's management to sound corporate principles and applicable laws and regulations.

Independency. Independency is the professional management of the bank without influence or pressure from any party that is contrary to the prevailing laws and regulations and sound corporate principles.

Fairness. Fairness is equality in fulfilling the rights of stakeholders arising based on agreements and applicable laws and regulations.

Earnings

Rentability assessment includes evaluating rentability performance, sources of rentability, earnings sustainability, and rentability management. The assessment was carried out by considering the level, trends, structure, stability of rentability, and comparison of the bank's performance with the performance of peer groups¸ both through quantitative and qualitative aspect analysis (OJK,2017). Rentability can be an indicator of the bank's health and growth capacity (Singh & Kohli, 2006), as well as assessing the company's ability to conduct its current business and carry out its operations in the future (Sarker, 2006). The ratios used in this study are Return on Asset (ROA), Return on Equity (ROE), and Net Interest Margin (NIM).

Capital

Koch and Scott (2003) found that good capital management shows that a bank's ability to maintain its capital is proportional to the characteristics of the bank and the amount of all risks, and how the bank identifies, measures, monitors, and controls the risks faced. The ratio used in this study is the Capital Adequacy Ratio (CAR).

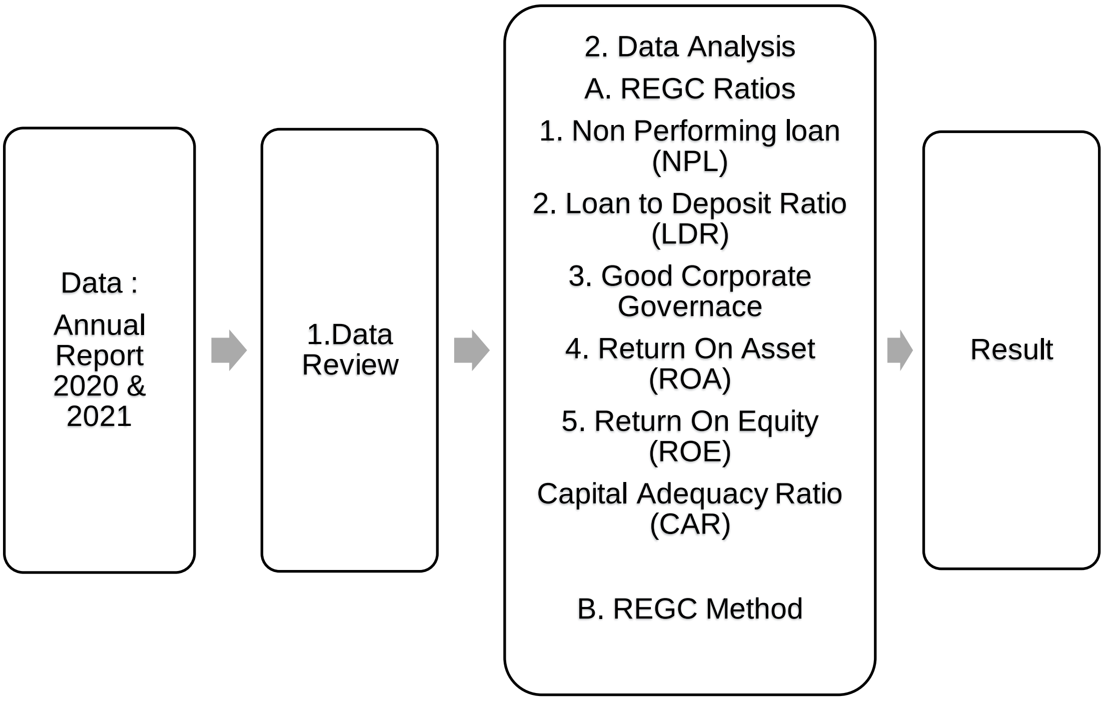
RESEARCH METHOD

This research applied a descriptive method & using the quantitative approach in collecting & analysing numerical data. This research will be conducted at Manado State University (UNIMA) from Mei to June 2021.

The population of this study is all BPDs totalling 27 banks throughout Indonesia. The sampling technique is purposive sampling, where the samples used are eight BPDs located in Eastern Indonesia, namely BPD North Sulawesi & Gorontalo, BPD Central Sulawesi, BPD Southeast Sulawesi, BPD South Sulawesi & West Sulawesi, BPD East Nusa Tenggara, BPD Maluku & North Maluku and BPD Papua which are all in the Category of KBMI 1 according to OJK regulations. BPD West Nusa Tenggara is not analysed because the BPD has implemented Sharia principles whose soundness assessment by the OJK is regulated by different rules.

Secondary data will be used in this study, the annual financial statements for 2020 - 2021 issued by BPD on their respective websites. Data then be analysed with the RGEC Method to suggest best practices for the maintenance and improvement of the bank. The research procedure is explained in Figure 1.

Figure 1. Research Procedure



The data analysis method used in this research is the REGC. Elements of assessment in analysing REGC are as follows below:

Table 1. Financial Ratios

RATIO	DEFINITION	MEASUREMENT
RISK PROFILE		
Non-Performing Loan)	The bank's capacity to manage its non-performing loans	(NPL/Total NPL) x 100
Loan to Deposit Ratio (LDR)	Bank's ability to pay liabilities to customers who have deposited their funds with loans and financing provided to debtors as a source of liquidity.	(Loan/Deposit) x 100
GOOD CORPORATE GOVERNANCE	GCG is the management of a Bank by applying transparency, accountability, responsibility, independence, and fairness principles in performing business activities.	Bank Self-Assessment
EARNINGS		
Return On Asset (ROA)	Determines a bank's ability to produce a profit from its total accessible assets.	(Net Income after tax/Total assets) x 100
Return On Equity (ROE)	Measures the profitability of a corporation in relation to stockholders' equity	(Net Income / Shareholders'

		Equity) x 100
Net Interest Margin (NIM)	The means of the net return on the bank's earning assets include investment securities, loans, and leases.	(Net interest income/ Earning assets) x 100
CAPITAL		
Capital Adequacy Ratio (CAR)	A bank's available capital is measured as a percentage of a bank's risk-weighted credit exposures.	(Capital/Risk-Weighted Assets) x 100

Once the RGEC ratio is determined, the next step is determining the composite level to assess the bank's soundness. Categories of Composite Rating of bank soundness have been set based on a comprehensive and structured analysis stated in Bank Indonesia Circular Letter *No.13/24/DNDP/2011* as follows:

Table 2. Risk Profile Composite Rating

Non-Performing Loan	**Loan To Deposit Ratio**	**Composite Rating**	**Criteria**
0% < NPL < 2%	50% < LDR ≤ 75%	1	Excellent
2% ≤ NPL < 3,5%	75% < LDR ≤ 85%	2	Satisfactory
3,5 % ≤ NPL < 5%	85% < LDR ≤ 100%	3	Fair
5 % ≤ NPL < 8%	100% < LDR ≤ 120%	4	Marginal
NPL ≥ 8%	LDR > 120%	5	Unsatisfactory

Sources: Bank Indonesia Circular Letter No.13/24/DNDP/2011

Table 3. Good Corporate Governance Composite Rating

Composite Rating	**Criteria**
1	Excellent
2	Satisfactory
3	Fair
4	Marginal
5	Unsatisfactory

Sources: Bank Indonesia Circular Letter No.13/24/DNDP/2011

Table 4. Earnings Composite Rating

Return On Asset	Return On Equity	Net Interest Margin	Composite Rating	Criteria
ROA < 2%	ROE < 20 %	NIM < 5%	1	Excellent
1.25 % < ROA ≤2%	12.5 % < ROE≤ 20 %	2 % < NIM ≤ 5%	2	Satisfactory
0.5 % < ROA ≤ 1.25%	5 % < ROE ≤12. 5%	1.5 % < NIM ≤ 2%	3	Fair

0 % < ROA ≤ 0.5%	0 % < ROE ≤ 5%	1 % < NIM ≤ 1.5 %	4	Marginal
ROA ≤ 0% (Negative)	ROE ≤ 0% (Negative)	NIM < 1 (Negative) %	5	Unsatisfactory

Sources: Bank Indonesia Circular Letter No.13/24/DNDP/2011

Table 4. Capital Composite Rating

Capital Adequacy Ratio	Composite Rating	Criteria
12% < CAR	1	Excellent
9 % < CAR ≤ 12%	2	Satisfactory
8 % < CAR ≤ 9%	3	Fair
6 % < CAR ≤ 8%	4	Marginal
CAR < 6%	5	Unsatisfactory

Sources: Bank Indonesia Circular Letter No.13/24/DNDP/2011

After knowing the rating of each REGC component, a composite rating weighting will be carried out for each component that has obtained a value based on its rating (Refmasari & Setiawan, 2014). Composite 1, multiplied by 5. Composite 2, multiplied by 4. Composite 3 = multiplied by 3. Composite 4 = multiplied by 2. Composite 5 = multiplied by 1.

This value will be used as a benchmark in percentage units to determine composite ratings of all components used in the assessment of the health of banks by the RGEC method. Then the value will be adjusted to the composite rating table of the soundness level assessment of the bank (Paramartha & Darmayanti, 2017).

Table 5. Composite Rating of Bank Soundness

Composite Rating	Score %	Criteria
PK-1	86-100	Strong
PK-2	71-85	Satisfactory
PK-3	61-70	Fair
PK-4	41-60	Marginal
PK-5	<40	Unsatisfactory

Sources: Bank Indonesia Circular Letter No.13/24/DNDP/2011

RESULTS

Table 6. Descriptive Statistics

Ratios	Minimum	Maximum	Mean	Standard Deviation
NPL	-0,07	2,31	0,85	*0,73*
LDR	69,43	121,42	90,44	*15,07*
GCG	2	3	2,67	*0,48*

ROA	1,44	3,54	2,62	*0,69*
ROE	10,74	21,05	15,96	*3,24*
NIM	5,21	7,68	6,52	*0,73*
CAR	16,26	27,68	22,94	*0,88*

Sources: Processed Data 2022.

The descriptive statistics of the investigated ratios are displayed in Table 6. The minimum NPL score for the banks was -0.07, the maximum was 2.31, the mean was 0.85, and the standard deviation was 0.73, as shown in Table 6. The minimum and maximum LDR ratios were 69.43 and 121.42, respectively, with an average of 90.44 and a standard deviation of 15.07. The minimum value of GCG is 2, the maximum value is 3, the mean value is 2.67, and the standard deviation is 0.48. The minimum ROA is 1.44, the maximum is 3.54, the mean is 2.62, and the standard deviation is 0.69. The minimum ROE is 10.74, the maximum is 21.05, the mean is 15.96, and the standard deviation is 3.24. The minimum and maximum NIM ratios were 5.21 and 7.68, respectively, with a mean of 6.52 and a standard deviation of 0.68. The CAR has a minimum and maximum values of 16.26 and 27.68, a mean of 22.94, and a standard deviation of 0.88.

Table 7. Bank Soundness Level Based on the REGC Method:

BPD	Year	NPL	Composite Rating	LDR	Composite Rating	GCG	Composite Rating	ROA	Composite Rating	ROE	Composite Rating	NIM	Composite Rating	CAR	Composite Rating	Score	Final Composite Rating
BPD North Sulawesi & Gorontalo	2020	1,9	1	103	4	3	3	2,3	1	13,3	2	7,42	1	15,2	1	82,86	Satisfactory
	2021	1,8	1	102	4	3	3	1,44	2	13,4	2	7,23	1	16,3	1	80	
BPD Central Sulawesi	2020	1,3	1	94,4	3	3	3	3,07	1	15,8	2	5,21	1	27,2	1	85,71	Strong
	2021	1,3	1	69,4	1	3	3	3,15	1	17,5	2	5,73	1	20,1	1	91,43	
BPD Southeast Sulawesi	2020	0,4	1	76,4	2	2	2	3,54	1	21	1	7,49	1	25,6	1	94,29	Strong
	2021	-0,1	1	70,5	1	3	3	3,53	1	21,1	1	7,19	1	25,6	1	94,29	
BPD South & West Sulawesi	2020	0,3	1	121	5	3	3	3,12	1	18,7	2	6,08	1	24	1	80	Satisfactory
	2021	0	1	114	4	3	3	3,09	1	17,5	2	6,66	1	21,3	1	82,86	
BPD East Nusa Tenggara	2020	2,3	2	104	4	3	3	2,03	1	13,6	2	6,28	1	21,5	1	80	Satisfactory
	2021	1,6	1	89,5	3	3	3	1,85	2	12	3	6,23	1	24,3	1	80	
BPD Maluku & North Maluku	2020	0,5	1	94,9	3	3	3	2,81	1	16,7	2	7,45	1	26,2	1	85,71	Strong
	2021	0,8	1	78	2	3	3	2,99	1	15,9	2	7,68	1	27,7	1	88,57	
BPD Bali	2020	0,1	1	84,7	2	2	2	2,7	1	17,8	2	5,78	1	20,6	1	91,43	Strong
	2021	0,1	1	89,1	3	2	2	2,62	1	17	2	6,41	1	20,3	1	88,57	
BPD Papua	2020	1,4	1	83,7	2	2	2	1,67	2	11	3	6,17	1	20,7	1	85,71	Strong
	2021	1,1	1	84,7	2	2	2	1,76	2	10,7	3	6,26	1	23,2	1	85,71	

Sources: Processed Data 2022

Based on Table 7 above, it is found that the soundness level of each bank is as follows:

BPD North Sulawesi & Gorontalo
The 2020 and 2021 NPL ratings were 1.88 and 1, while the LDR ratings were 102.9 and 101.6
GCG ranked third, Rentability's ROA and ROE were 13.3 and 13.4, and NIM was 7.4 and 7.2. Capital demonstrates CAR 15.2 and 16. Scores of 82.86 and 80 on the REGC.

BPD Central Sulawesi
The 2020 and 2021 estimates for NPLs were 1.35 and 1.25. The LDR displays the values 94.7 and 69.43. GCG displays r 3, while Rentability displays ROA and ROE of 3.1 and 3.2, 15.8 and 17.5, and NIM of 5.2 and 5.7. Capital demonstrates CAR 27.2 and 20.1. REGC scores ranged from 85.71 to 91.43.

BPD Southeast Sulawesi
The 2020 and 2021 NPL assessments were 0.43 and -0.1. The LDR indicates the values 76.4 and 70.5. The GCG evaluation in 2020 and 2021 revealed ranks 2 and 3. The rentability ratios are 3.5 and 3.5, 21 and 21.1, and 7.5 and 7.2. Capital demonstrates CAR 25.6 and 25.6. REGC scores were identical at 94.29.

BPD South & West Sulawesi
The 2020 - 2021 evaluation of NPLs revealed values of 0.28 and 0.02. The LDR displays the values 121.4 and 114.2. GCG indicates rank 3 ROA is 3.1% and 3.1%, ROE is 18.7% and 17.5%, and NIM is 6.1 and 6.7. Capital demonstrates CAR 24 and 21.3. Scores of 80 and 82.86 on the REGC.

BPD East Nusa Tenggara
The 2020 and 2021 evaluation of NPL reveals 2.31 and 1.55. The LDR demonstrates 104.2 and 89.5. GCG indicates rank 3. The rentability ratios are 2 and 1.9, 13.6 and 12, and 6.3 and 6.2 for NIM. Capital demonstrates CAR 21,5 and 24,3. Two REGC scores of 80.

BPD Maluku & North Maluku
The 2020 and 2021 estimates for NPL are 0.47 and 0.77, respectively. The LDR displays the values 94.88 and 77.98. GCG indicates rank 3 ROA is between 2.8 and 3, ROE is between 16.7 and 15.9, and NIM is between 7.5 and 7.5. Capital demonstrates CAR 26,2 and 27,7. REGC scores ranged from 85.71 to 88.57.

BPD Bali
The 2020 and 2021 NPL assessments were 0.06 and 0.13, respectively. The LDR displays the values 84.69 and 89.11. GCG displays a score of 2. ROA ranges between 2.7 and 2.6, ROE between 17.8 and 17 and NIM between 5.5 and 6.4. Capital demonstrates CAR 20,6 and 20,3 Both REGC scores are 88.57 and 91.43.

BPD Papua
The 2020 and 2021 NPL evaluations were 1.39 and 1.07, respectively. The LDR revealed the values 83.69 and 84.67. GCG indicates rank 2 ROA is between 1.7 and 1.8, ROE is between 11 and 10.7, and NIM is between 6.2 and 6.3. Capital demonstrates CAR 20,6 and 23,2. The REGC rating is 85.7.

DISCUSSION

The results of the analysis for credit risk of all banks indicate good performance, which in composites 1 & 2 indicates that the formulation of the level of risk to be taken (risk appetite) and credit risk tolerance is adequate and consistent with the bank's strategic objectives and overall business strategy. This is because the fund provider's portfolio is relatively unaffected by changes in external factors and is of high quality.

Mitigation for credit risk that banks can carry out is by implementing an *early warning system* through strict monitoring of the debtor's business, conducting stress tests on the possibility of decreasing the credit quality of debtors so that the necessary anticipatory measures can be taken immediately, as well as accelerating the settlement of NPLs and foreclosed assets (AYDA).

For liquidity risks, BPD North Sulawesi & Gorontalo, BPD East Nusa Tenggara, and BPD South & West Sulawesi showed poor performance because they are in composites 4 & 5. This is due to the higher loan growth of third-party funds (TPF) compared to third-party funds (TPF). This high banking liquidity has become a challenge for players in the banking industry because competition in lending is becoming more stringent, so interest rate wars are inevitable. Banks must meet the needs of instant customer withdrawals and credit disbursement needs by the Bank strategy to maintain a good reputation. This requires immediate corrective action from management.

Mitigation for liquidity risk that banks can carry out is monitoring the adequacy of the minimum statutory reserve requirement (GWM), monitoring the development of third-party funds (DPK) and monitoring compliance with regulatory provisions and limit risk.
In general, the implementation of GCG is quite effective. It appears between composites 2 and 3, which means that the bank has implemented the governance principles under applicable regulations.

As evidenced by ROA, ROE, and NIM in composites 1 and 2, the bank demonstrated a strong performance in terms of overall rentability. It indicates that the bank's performance in generating profits is adequate and that profits have a high capacity to increase capital and future profit prospects.

The capital factor measured by CAR indicates that all banks are in Composite 1, which indicates that the bank has adequate quality and capital adequacy relative to its risk profile, as well as powerful capital management by the bank's characteristics, business scale, and business complexity.

The final results of the composite rating of the assessment using the REGC method show that BPD Central Sulawesi, BPD Southeast Sulawesi, BPD Bali, BPD Maluku & North Maluku & BPD Papua are in a strong category (*PK 1)* which reflects the bank's condition during the Pandemic is *very healthy* so that it is considered very capable of facing significant negative influences from changes in business conditions and other external. If there is a weakness, the weakness is generally insignificant (OJK, 2017).

As for BPD North Sulawesi & Gorontalo, BPD South & West Sulawesi, and BPD East Nusa Tenggara, the Composite Ratings of the three Banks are in the satisfactory category (PK 2), which indicates that the condition of the bank during the Pandemic is relatively *healthy* and that it is capable of withstanding significant negative influences from changes in business conditions and other external factors. If there are weaknesses, they are generally *less significant* (OJK,2017).

CONCLUSION

As measured by the REGC method, the soundness level of eight BPD in Eastern Indonesia during the COVID-19 Pandemic was good. Still, improvement steps were necessary, particularly in terms of liquidity risk. Banks must control the liquidity balance by balancing the sources of funds and their use to remain within an acceptable risk range and contribute a reasonable profit.

Innovations in banking products and activities not accompanied by implementing adequate risk management can result in various fundamental issues for the bank and the financial system.

Banks must improve the efficacy of their risk management and governance implementation. Increasing the efficacy of risk management and governance implementation aims to enable the bank to identify problems sooner and implement appropriate and faster improvements to make it more resilient in the face of crises so the bank can keep maintaining excellent performance to support the development of eastern Indonesia, which is the main focus of national development.

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APPENDIX

Turnitin Result (exclude Tables)

8

ORIGINALITY REPORT

11%	12%	6%	6%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	islamicmarkets.com Internet Source	2%
2	journal.sebi.ac.id Internet Source	1%
3	Submitted to School of Business and Management ITB Student Paper	1%
4	dinastipub.org	1%