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Analysis Performance of Bank Perkreditan Rakyat and Entry Strategy into Capital Markets

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ABSTRACT
This research examines the influence of financial performance in the form of Return on Assets (ROA), Return on Equity (ROE), Loan to Deposit Ratio (LDR) and Non-Performing Loans (NPL) on the Capital Adequacy Ratio (CAR) at People's Economic Banks registered with the OJK Indonesia for the period January 2018 to December 2022. The data analysis method used is the Error Correction Model (ECM) which analyzes the relationship between the independent variable and the dependent variable in the long term and short term. The results of the analysis show that in the long term the ROA variable has a negative and significant effect on CAR, the ROE variable has a positive and significant effect on CAR, the LDR variable has no significant effect on CAR and the NPL variable has a negative and significant effect on CAR. The results of this research are related to whether BPR will carry out an Initial Public Offering (IPO) from the UUP2SK perspective in looking at opportunities for BPR to enter the capital market.

Keywords: Bank Performance, ECM, IPO, UUP2SK

INTRODUCTION

Bank Perkreditan Rakyat (BPR) is a banking financial institution whose business activities are carried out conventionally or according to sharia principles. BPR activities are much narrower compared to commercial bank activities because BPRs are prohibited from accepting current account deposits, foreign exchange activities and insurance. The legal basis for BPR is Law no. 7 of 1992 concerning Banking which was later amended to become Law No. 10 of 1998. In this law, it is explained that the main objective of BPR business activities is to serve small and micro businesses belonging to rural communities.(Darmawan, 2022).

On a micro and small scale or MSMEs, the existence of Rural Banks (BPR) and Sharia People's Financing Banks (BPRS) also has an important role in driving the economy, because BPR and BPRS have characteristics that make their existence sustainable, such as most offices and units. branches in sub-district and district areas, providing family-friendly services or prioritizing a personal approach, simple and fast processes, and the characteristics of the products needed by the people in the area can be

adjusted and the characteristics of these MSMEs are still unbankable so that the capital process is still very limited.

The presence of BPR in supporting the national economy has shown its contribution. For example, in the first quarter of 2019 there were 1,593 BPRs operating throughout Indonesia (Fitra, 2019). Then, in terms of obtaining third party funds (DPK) and credit distribution every year shows an increase. At least in the 2011-2018 period, growth in BPR credit distribution reached an average of 16.9% per year and reached a value of IDR 89.6 trillion in 2018. However, this credit growth does not seem to be matched by an increase in TPF which only grew by less than 1 % per year. From this aspect alone, it can be assumed that BPRs in Indonesia are facing capital problems. Considering the large share of micro businesses that have the potential to obtain financing and the profit margins of the micro segment which are relatively higher than other sectors, commercial banks are encouraged to get involved in financing micro businesses. This causes competition in the micro segment to become increasingly fierce.

Table 1. BPR Performance December 2019 – December 2020

	Nominal					YoY	
Indicator	Dec '19	March '20	Jun'20	Sep'20	Dec '20	Dec '19	Dec '20
Total Assets (Billions)	149,623	149,659	146,866	149,814	155,075 ^	10.27% ^	3.64%
Credit (Billion)	108,784	111,445	110,468	110,305	110,770 ^	10.76 % ^	1.83%
DPK (Billion)	102,538	102,975	100,063	102,113	106,151 ^	11.51% ^	3.52%
- Savings (Billions)	32,132	31,547	30,376	31,167	32,763 ^	8.95% ^	1.96%
- Deposits (Billions)	70,406	71,428	69,686	70,946	73,389 ^	12.71% ^	4.24%
CAR (%)	28.68	31.54	30.80	30.88	29.89	553	101
ROA (%)	2.31	2.28	1.98	1.95	1.87	(17)	(44)
BOPO (%)	81.50	82.96	84.78	84.41	64.24	76	274
Gross NPL (%)	6.81	7.95	8.44	8.09	7.22	44	41
Net NPL (%)	5.22	6.25	6.58	6.18	5.33	47	11
LDR (%)	79.09	77.86	79.09	77.72	75.44	225	(365)
CR (%)	17.08	14.97	16.66	16.82	18.67	(176)	159

Source: Financial Services Authority, 2021

Based on the BPR financial performance report above, it can be seen that the distribution of financing and third party funds (DPK) was 1.83% (yoy) and 3.52% (yoy), respectively, where the credit distributed was lower compared to the previous year , namely for credit at 10.76% (yoy) and for third parties at 11.51% (yoy). Along with this slowdown, profitability also decreased with Return On Assets (ROA) of 1.87% (yoy), compared to the previous year which was 2.31% (yoy). However, the resilience of Rural Banks (BPR) is still quite good, supported by increased capital seen from the CAR of 29.89% (yoy) compared to the previous year, namely 28.88% (yoy). Likewise, the ratio of operational costs to operating income (BOPO) is still efficient despite experiencing a setback in December 2020 (84.24%) (yoy) compared to the December 2019 period (81.50%) (yoy). However, this is also overshadowed by Non-Performing Loans (NPL) which have increased as a result of the Covid-19 pandemic which has reduced debtors' ability to pay.

One way to manage a banking company in a modern, open manner without losing its family character and image is by selling some of its shares through an initial public offering called an Initial Public Offering (IPO). Apart from having more professional and disciplined management, as well as

transparency in company management, the advantages of an IPO are as a source of funding, a means of restructuring capital, as well as a means of creating value and promoting the company's image. However, by joining the stock exchange there will be consequences that the IPO company must accept, namely the obligation to be open (full disclosure), the management style from informal to formal, the obligation to pay dividends, the obligation to submit a reporting system in accordance with the regulations of the Capital Market Supervisory Agency (Bapepam), and maintain growth rates. One of the conventional banks that has successfully sold its shares on the Indonesian Stock Exchange is PT Bank Pembangunan Daerah Jawa Timur Tbk. Initial Public Offering (IPO) is the right choice to become a Regional Champion. The benefits obtained by Bank Jatim after the IPO in 2012 included obtaining fresh funds, optimizing financial structure and capital, as well as increasing company performance (Abbas, 2018). Meanwhile, in sharia banking financial institutions, the bank that has listed shares on the stock exchange is Bank Panin Syariah. To be precise, on January 15 2014 Bank Panin Syariah officially listed its name on the Indonesian Stock Exchange and changed its legal form to become a Limited Liability Company.(Handayani, 2016).

The dynamic development of the financial sector and technology requires adjustments and new regulations in the financial sector. Various indicators show the urgency of financial sector reform, including the role of financial sector intermediation that is not yet optimal, aspects of law enforcement that need to be improved, and consumer protection that is still low. So the P2SK Law was formed with the aims of, among other things, optimizing the intermediation function of the financial sector, developing and strengthening the financial sector ecosystem, strengthening institutions and financial system stability, and strengthening protection of personal data of financial sector customers. The scope regulated in the P2SK Law is related to strengthening the coordination of the financial system stability committee (KSSK) to create more effective decision making, strengthening the mandate of Indonesian banks, OJK and LPS to be more active in maintaining financial system stability (SSK). As well as related to strengthening the industry in the BPR/BPRS financial sector. The P2SK Law changes the name of Rural Banks (BPR) to People's Economic Banks and Sharia People's Financing Banks (BPRS) to Sharia People's Economic Banks. The P2SK Law also strengthens the function of BPR BPRS by expanding its business field towards foreign currency exchange & fund transfers. Article 13 Paragraph 1 letter (c) which contains "carrying out fund transfer activities for both own interests and the interests of customers" and Article 13 Paragraph 1 letter (e) "carrying out foreign exchange business activities". The role of BPR is increasingly important by strengthening the implementation of good corporate governance, namely opening up opportunities for BPR to enter the capital market. (Article 23 Paragraph 2).(Mustofa, 2023)

However, there are challenges for the BPR/BPRS industry in the enactment of the P2SK Law, which are internal, namely related to inadequate capital, optimizing governance, limited technology-based product and service innovation, limited product & service variations, information technology (IT) infrastructure & resources. human resources (HR) that are not yet qualified in the IT sector, investments in the IT sector that require things that are not cheap, potential new risks related to the use of IT. And from the external side, namely competition for varied and innovative products in the financial services sector which is increasingly rapid and dynamic, the rapid development of IT which requires BPR BPRS to continue to innovate its services in line with current developments and finally digital product competition with commercial banks and financial technology (fintech) which is starting to penetrate the BPR market. As for the opportunities for the BPR/BPRS industry due to the enactment of the P2SK Law, namely expanding the function of BPRs in their business sector towards foreign exchange and fund transfers, the role of BPRs is increasingly important by strengthening the implementation of good corporate governance, namely opening up opportunities for BPRs to enter the capital market, and steps to go public for BPR will change BPR in a more advanced direction in line with dynamic developments in the times.

Based on the description above, it provides an attraction for researchers to conduct research related to the influence of financial performance in the form of Return on Asset (ROA), Return on Equity (ROE), Loan to Deposit Ratio (LDR) and Non-Performing Loan (NPL) ratios on capital adequacy

as seen from Capital Adequacy Ratio (CAR) for People's Economic Banks registered with the Indonesian OJK and the results will be linked to the opportunities for BPRs to enter the capital market.

METHOD

The population used in this research is BPR registered with the Financial Services Authority (OJK). The sample used in this research is BPR registered with the Financial Services Authority (OJK) which has reported financial performance in quarterly form. The sampling technique in this research uses purposive sampling, where purposive sampling is a technique for determining samples with certain considerations or criteria (Sugiyono, 2018). The type of data used in this research is secondary data using time series data originating from annual published reports with a quarterly observation period from January 2018 to December 2022. This data was processed using the Microsoft Excel application and the Eviews 10 application using the ECM (Error Correction) method. Model). The data source used for research was obtained from the official website of each relevant institution. The dependent variable capital and independent variables, namely profitability, liquidity, credit quality and bank financial efficiency, are obtained from the Financial Reports issued by the Financial Services Authority (OJK). The data collection technique used in this research is literature study related to materials or literacy originating from journals, articles, papers, theses, theses and other reference sources. The variables used in this research consist of dependent variables and independent variables as well as additions. The dependent variable in this research is Capital, while the independent variable in this research is the BPR's financial performance which consists of Profitability, Efficiency, Liquidity and Credit Quality.

Dependent Variable

In this research the dependent variable used is company value. Adequate bank capital (CAR) plays an important role in realizing a strong and highly competitive BPR industry. The calculation of minimum capital provision or capital adequacy is seen based on the ratio or comparison between the capital owned by the bank and the amount of Risk Weighted Assets (RWA). Bank Indonesia sets the minimum capital that each bank must have at 8% (Liora et al., 2013). The data in this research, namely CAR data on BPR, was taken from the OJK in the form of monthly data from 2018 to 2022.

$$CAR = \frac{Modal\ Bank}{Aktiva\ Tertimbung\ Menurut\ Risiko\ (ATMR)} \times 100\% \qquad (1)$$

Independent Variable

This research has independent variables including ROA, ROE, LDR, and NPL.

a. Return on Assets (ROA)

Return On Assets (ROA) is used to measure a company's effectiveness in generating profits by utilizing the assets it owns. ROA is the most important ratio among other profitability/rentability ratios. Where profitability is one of the financial ratios used for fundamental analysis(Nurcahyaningtyas & Muizudin, 2016). The data in this research, namely ROA data at BPR, was taken from the OJK in the form of monthly data from 2018 to 2022.

$$ROA = \frac{Laba\ Sebelum\ Pajak}{Modal\ sendiri} \times 100\% \qquad (2)$$

b. Return on Equity (ROE)

ROE describes the ability of a bank's own capital to generate profits. For bank owners, information regarding the ROE ratio is very important because it can determine management's ability to manage existing funds to obtain net income(Putri & Dana, 2018).ROE is used to compare profit after tax with average equity. The higher the ROE achieved by a bank indicates that the net profit after tax is also higher, so that its own capital will increase and it is estimated that the CAR will also increase(Permata Hati et al., 2021). The data in this research, namely ROE data on BPR, was taken

from the OJK in the form of monthly data from 2018 to 2022.

$$ROE = \frac{Laba\ Ber \quad Setel \quad Pajak}{Ekuitas\ Pemilik\ Saham} \times 100\% \qquad (3)$$

c. Loan to Deposit Ratio (LDR)

Loan to deposit ratio is the bank's ability to repay withdrawals made by depositors by relying on the credit provided as a source of liquidity. The Liquidity Ratio for Rural Banks in this study uses the Loan to Deposit Ratio (LDR) to see how liquid the BPR is in meeting its short-term obligations. The data in this research, namely LDR data at BPR, was taken from the OJK in the form of monthly data from 2018 to 2022.

$$LDR = \frac{Total\ Kredit/Pembiayaan}{Total\ Dana\ Piha \quad Ketiga} \times 100\% \qquad (4)$$

d. Non-Performing Loans (NPL)

Non-Performing Loan (NPL) is a condition where a loan or credit is in a condition where the borrower (debtor) fails or cannot fulfill its obligations in making repayment of the proposed credit and exceeds the predetermined time or exceeds the payment due date and if the NPL or The higher the bad or problematic credit, the more it will disrupt the operations and functions of banks or creditors, so it can be said that NPL is one of the ratios to determine the performance and quality of BPR.(Prihatinto & Setiadi, 2023). The data in this research, namely NPL data at BPR, was taken from the OJK in the form of monthly data from 2018 to 2022.

$$NPL = \frac{Pembiayaan\ (KL,D,M}{Total\ Pembiayaan} \times 100\% \qquad (5)$$

Data Analysis

This research was conducted to identify what variables influence capital in BPR. The method used in this research uses a quantitative descriptive method, namely describing a problem by analyzing data related to numbers and formulas in the calculations used in analyzing the problem under study.(Ekananda, 2016). Then proceed with data analysis using the Error Correction Model (ECM) method where the stages consist of the following:

1) Stationarity Test: The Unit Root Test is the initial stage in estimating the VAR model, to ensure that the data used is stationary. This test uses the ADF unit root test, where the unit root test results can be said to be stationary if the probability value is (<0.05).
2) Cointegration Test: This test is to see whether each variable is balanced in the long term.
3) Error Correction Model (ECM): If it has passed the cointegration test, it will then be tested using a dynamic linear model where the big picture of the Error Correction Model (ECM) analysis model in this research will use the following equation:

$$CAR_t = \beta_0 + \beta_1 ROA_t + \beta_2 ROE_t + \beta_3 LDR_t + \beta_4 NPL_t + \varepsilon_t \quad .....1$$

Meanwhile, for short-term Error Correction Model (ECM) analysis, the following equation will be used:

$$\Delta CAR_t = \beta_0 + \Delta\beta_1 ROA_t + \Delta\beta_2 ROE_t + \Delta\beta_3 LDR_t + \Delta\beta_4 NPL_t + \Delta\beta ECT_{t-1} + \varepsilon_t \ .....2$$

Where:
CARt = Capital Adequacy Ratio for period t
ROAt = Return on Assets for period t
ROEt = Return on Equity for period t
LDRt = Laon to Deposit Ratio for period t
NPLt = Non Performing Loans period t
β1 – β7 = Coefficient value of each variable

Classic Assumption Test is carried out to determine whether there are deviations from the classic assumptions from the research results in the regression equation which includes the multicollinearity test, heteroscedasticity test, autocorrelation test and linearity test.

RESULTS

Descriptive Statistical Analysis

The results of descriptive statistics show the values of Mean, Mode, Median, Maximum, Minimum and Standard Deviation with a total of 59 data observations on CAR, ROA, ROE, LDR and NPL ratios.

Table 2. Descriptive Statistics

	CAR	ROA	ROE	LDR	NPLs
Mean	24.93373	2.080678	18.26475	76.92017	7.490339
Median	25.41000	1.950000	16.77000	76.71000	7.410000
Maximum	29.89000	3.260000	29.45000	83.20000	8.660000
Minimum	20.88000	1.600000	13.65000	72.58000	6.370000
Std. Dev.	2.408637	0.365763	3.440873	2.068614	0.519542
Observations	59	59	59	59	59

Source: Eviews Data Processing Results, 2023

Table 3. Unit Root Test

Variable	Prob Value. Level Level	Information	Prob Value. Level 1st Difference	Information
CAR	0.2751	Not Stationary	0.0000	Stationary
ROA	0.4956	Not Stationary	0.0000	Stationary
ROE	0.4844	Not Stationary	0.0000	Stationary
LDR	0.0228	Stationary	0.0000	Stationary
NPLs	0.1978	Not Stationary	0.0000	Stationary

Source: Eviews Data Processing Results, 2023

Based on table 3 above, information is obtained regarding the results of the BPR stationarity test, the probability values for almost all variables are not stationary at level level except for the LDR variable. So a stationarity test is needed at the 1st difference level to see the stationarity of the variable data being studied and the results obtained are that the overall variable probability value is stationary at the 1st difference level.

Table 4. Cointegration Test

		t-statistic	Probability
Augmented Dickey-Fuller test statistics		-4.692708	0.0003
Test Critical Values	1% levels	-3.548208	
	5% level	-2.912631	
	10% levels	-2.594027	

Source: Eviews Data Processing Results, 2023

Based on the results of the cointegration test above, the residual value must be stationary at level level to be said to have cointegration. After testing using the Augmented-Dicky-Fuller (ADF) test, it was found that the residual was stationary in the level data as seen from the significant value below 5%, namely a probability value of 0.0003 so it could be concluded that the data was cointegrated.

Table 5. Long Term Estimates

Variables	Coefficient	Std. Error	t-Statistics	Prob.
ROA	-29.88015	8.747793	-3.415736	0.0012
ROE	2.754733	0.947488	2.907408	0.0053
LDR	-0.148943	0.099288	-1.500110	0.1394
NPLs	1.038405	0.517152	2.007928	0.0497

C	40.46893	7.811130	5.180932	0.0000
R-squared	0.641072	Mean dependent var		24.93373
Adjusted R-squared	0.614485	SD dependent var		2.408637
SE of regression	1.495519	Akaike info criterion		3.723762
Sum squared resid	120.7751	Schwarz criterion		3.899824
Log likelihood	-104.8510	Hannan-Quinn Criter.		3.792489
F-statistic	24.11204	Durbin-Watson stat		1.094100
Prob(F-statistic)	0.000000			

Source: Eviews Data Processing Results, 2023

Based on table 5 above, the regression equation from the research results is as follows:

$$CAR = 40.46893 - 29.88015\ ROA + 2.754733\ ROE - 0.148943\ LDR + 1.038405\ NPL$$

Table 6. Short Term Estimates

Variables	Coefficient	Std. Error	t-Statistics	Prob.
D(ROA)	2.688383	8.677617	0.309807	0.7579
D(ROE)	-0.475010	0.969482	-0.489963	0.6262
D(LDR)	-0.003902	0.087970	-0.044358	0.9648
D(NPL)	-0.691697	0.573610	-1.205867	0.2333
ECT(-1)	-0.394743	0.102007	-3.869760	0.0003
C	0.090796	0.130893	0.693668	0.4910
R-squared	0.336238	Mean dependent var		0.094483
Adjusted R-squared	0.272415	SD dependent var		1.162834
SE of regression	0.991881	Akaike info criterion		2.919271
Sum squared resid	51.15908	Schwarz criterion		3.132420
Log likelihood	-78.65885	Hannan-Quinn Criter.		3.002296
F-statistic	5.268268	Durbin-Watson stat		2.081834
Prob(F-statistic)	0.000547			

Source: Eviews Data Processing Results, 2023

Based on table 6 above, the regression equation from the research results is as follows.

$$CAR = 0.090796 + \Delta\ 2.688383\ ROA - \Delta\ 0.475010\ ROE - \Delta\ 0.003902\ LDR - \Delta\ 0.691697\ NPL - 0.394743\ ECT(-1)$$

Classical Assumption Test

a. Multicollinearity Test

Table 7. Multicollinearity Test

Variables	Centered VIF
ROA	2.654850
ROE	2.756312
LDR	1.093952
NPLs	1.872073

Source: Eviews Data Processing Results, 2023

Based on the results from table 7 above, it can be seen that the VIF value for all variables is less than 10, so it can be concluded that multicollinearity does not occur.

b. Heteroscedasticity Test

Table 8. Heteroscedasticity Test

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	11.73271	21.03584	0.557749	0.5793
ROA	-61.01377	23.55834	-2.589902	0.0523
ROE	7.041890	2.551641	2.759750	0.0779
LDR	-0.280800	0.267389	-1.050157	0.2983
NPLs	1.367791	1.392722	0.982099	0.3304

Source: Eviews Data Processing Results, 2023

Based on the results of the heteroscedasticity test on table 8, it can be seen that the overall > 5% significance level, so it can be concluded that heteroscedasticity does not occur.

c. Autocorrelation Test

Table 9. Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	0.127608	Prob. F(2.50)	0.8805
Obs*R-squared	0.294546	Prob. Chi-Square(2)	0.8631

Source: Eviews Data Processing Results, 2023

Based on the results of the autocorrelation test on52able 8, it can be seen that the value of Pob. Chi-Square > 5%, so it can be concluded that there is no autocorrelation.

d. Linearity Test

Table 9. Linearity Test

Ramsey RESET Test		
	Value	Probability
t-statistic	1.309010	0.1962
F-statistic	1.713508	0.1962
Likelihood ratio	1.877304	0.1706

Source: Eviews Data Processing Results, 2023

Based on the results of the linearity test in table 9, it can be seen that the Probability F-Statistic value is > 5%, so it can be concluded that the relationship between the independent variable and the dependent variable is linear.

DISCUSSION

Influence of ROA on CAR

Based on the t-statistic value-3.415736and significance value0.0012< 0.05 indicates that in the long term ROA has a negative and significant effect on CAR. This shows that a high ROA reduces the CAR value of the People's Economic Bank, which indicates that the high profits could come from the capital used to increase the profits of the People's Economic Bank itself, besides that it can be indicated that the increase in BPR profits is not saved in reserve capital, so profit is not able to increase CAR. The results of this research are supported by previous research conducted by Fatimah (2014) and Winda et al., (2016) which stated that ROA has a negative and significant effect on CAR. However, there are differences in results in research conducted by Putri and Dana (2018) which states that ROA has a positive and significant effect on CAR. Meanwhile, research by Rianto and Salim (2020) states that ROA has no significant effect on CAR.

Influence of ROE on CAR

Based on the t-statistic value2.907408and significance value0.0053< 0.05 indicates that in the long term ROE has a positive and significant effect on CAR. This indicates that when ROE increases

it will increase the capital adequacy of the BPR, in this case the Capital Adequacy Ratio (CAR), this occurs because of an increase in financing, which will increase Return on Equity (ROE). So when ROE increases there will be additional funds for capital, which will ultimately increase the bank's capital capacity. The results of this research are supported by previous research conducted by Fadilah (2022) which stated that ROE has a positive and significant effect on CAR. However, there are differences in results in research conducted by Anjani and Purnawati (2014) and by Putri and Dana (2018) which state that ROE has a negative and significant effect on CAR.

Influence of LDR on CAR

Based on the t-statistic value -1.500110 and significance value0.1394> 0.05 indicates that in the long term LDR has a negative and insignificant effect on CAR. This indicates that the influence of LDR on CAR is not significant because third party funds which are an element in calculating LDR on the balance sheet are in liabilities, while bank capital which is an element in calculating CAR on the balance sheet is in equity. LDR has no significant effect on CAR because when LDR increases but the growth of credit granted each year is constant, the real value of capital will not be affected. The results of this research are supported by previous research conducted by Andini and Yunita (2015) as well as by research by Kunarsih et al., (2018) which states that LDR has no significant effect on CAR. However, there are differences in results in research conducted by Rianto and Salim (2020) which states that LDR has a negative and significant effect on CAR.

Effect of NPL on CAR

Based on the t-statistic value2.007928and significance value0.0497< 0.05 indicates that in the long term NPL has a positive and significant effect on CAR. This indicates that several banking companies in certain periods had high NPL and CAR values at the same time, this was due to additional capital in the bank capital component, this addition could occur in core capital or supplementary capital. The results of this research are supported by previous research conducted by Winda et al., (2016) and Putri and Dana (2018) which stated that NPL had a positive and significant effect on CAR. However, there are differences in results in research conducted by Anjani and Purnawati (2014) and Kunarsih et al (2018) which state that NPL does not have a significant effect on CAR. This is different from research by Septiani and Lestari (2016) which states that NPL has a negative and significant effect on CAR.

CONCLUSION

Based on the results of research conducted on BPR financial performance, it can be concluded that the ROA variable in the long term has a negative and significant effect on CAR because the increase in BPR profits is not saved in reserve capital, so profits are not able to increase CAR, whereas the ROE variable in the long term has a positive effect. and significant to CAR because there is an increase in financing which also increases Return on Equity (ROE) so that there are additional funds for capital. In the long term, the LDR variable does not have a significant effect on CAR because when the LDR increases and the growth of credit granted each year is constant, so the real value of capital will not be affected. And in the long term, the NPL variable has a negative and significant effect on CAR due to additional capital in the bank's capital components, both core capital and supplementary capital which is used to cover problematic loans. If a BPR is going to conduct an IPO, it is best to prepare the company's performance in a good and stable condition and need to consider the risks that could arise from the issuance of shares, especially related to resistance to changes in ownership and demands for information disclosure. With resistance to changes in ownership, it can result in a decline in company performance and with demands for information disclosure, if the company's performance is not in good condition, it can have an impact on customer and investor loyalty. However, based on UUP2SK Article 23 Paragraph 2 concerning the role of BPR, it will become increasingly important by

strengthening the implementation of good corporate governance by opening up opportunities for BPR to enter the capital market. With this opportunity, it will become a strategy for BPR to strengthen bank capital which can be used as a solution in reforming the financial sector, carrying out digital banking transformation in terms of innovation and service, facilitating access to financing for MSMEs, providing technology and information infrastructure and increasing human resources.

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