

## Credit Restructuring Policy and Its Impact on Banking Financial Performance: Case Study at Bank in Papua

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### ABSTRACT

The COVID-19 pandemic significantly disrupted global economies, including Indonesia's banking sector, compelling banks to implement credit restructuring policies to support struggling businesses. This study examines the impact of Bank Papua's credit restructuring policy on debtor businesses and the bank's financial performance across three periods: before, during, and after the COVID-19 pandemic. Key performance indicators analyzed include LDR, ROA, NIM, and NPL. This study uses a Paired Sample T-test for data analysis. The findings show that the credit restructuring policy during COVID-19 had no significant impact on Bank Papua's financial performance, as all hypotheses (H1–H4) were rejected. The LDR remained stable, indicating effective liquidity management despite economic challenges. ROA showed no significant changes, reflecting steady profitability despite business disruptions. NIM experienced minor fluctuations during the pandemic due to adjustments for restructured loans but stabilized post-pandemic. Although NPL levels increased due to debtors' financial struggles, they remained within acceptable regulatory limits, demonstrating effective credit risk management. Overall, the restructuring policy provided relief to debtors but had minimal impact on the bank's financial indicators, highlighting the importance of balancing debtor support with maintaining financial stability during economic crises.

**Keywords:** Credit Restructuring Policy; Loan to Deposit Ratio; Net Interest Margin; Non-Performing Loans; Return on Assets

## INTRODUCTION

The COVID-19 pandemic triggered unprecedented economic disruptions globally, significantly affecting business operations, financial systems, and overall economic stability. In Indonesia, regions like Papua, with relatively fragile economic structures, were particularly vulnerable to these impacts. As businesses faced declining revenues, liquidity challenges, and operational shutdowns due to pandemic restrictions, many debtors struggled to fulfill their financial obligations, increasing the risk of widespread defaults (Didier et al., 2021). In response, the Indonesian government introduced credit restructuring policies as part of its economic recovery strategy. These policies aimed to provide temporary relief for debtors while helping banks manage credit risk, maintain liquidity, and sustain financial performance during a period of economic uncertainty.

While credit restructuring offered immediate benefits, such as reduced repayment burdens and extended loan tenures, concerns emerged regarding its long-term implications. Issues like moral hazard—where financially stable debtors misuse the policy—alongside the rise of Non-Performing Loans (NPLs) and reduced bank profitability raised questions about the effectiveness of these measures (Partovi & Matousek, 2019). For banks, ensuring the stability of key financial performance indicators such as the Loan to Deposit Ratio (LDR), Return on Assets (ROA), Net Interest Margin (NIM), and NPL during and after restructuring became critical to sustaining their health and operational resilience.

Bank Papua, as a key financial institution in the region, implemented credit restructuring policies to support businesses impacted by the pandemic. However, the extent to which these policies influenced the bank's financial performance and supported debtor businesses remains unclear. Specifically, it is important to assess whether credit restructuring achieved its objectives or exacerbated existing challenges, such as rising NPLs, reduced profitability, or stagnant loan growth. Given Papua's unique economic environment, characterized by limited infrastructure, dependency on small- and medium-sized enterprises (SMEs), and resource-based industries, analyzing the policy's effects can provide insights into its broader implications.

This study examines the impact of Bank Papua's credit restructuring policy on debtor businesses and the bank's financial performance across three distinct periods—before, during, and after the COVID-19 pandemic. It specifically investigates key financial indicators, including the LDR, ROA, NIM, and NPL, to evaluate the effectiveness of restructuring efforts. By analyzing these metrics, the study aims to determine whether the policy successfully balanced support for debtors with the need to maintain financial resilience.

The findings of this study will contribute to a deeper understanding of the outcomes of credit restructuring policies in developing economies and highlight challenges banks face in managing credit risk during economic crises. Additionally, the research provides practical insights for policymakers, regulators, and financial institutions on how to design and implement credit restructuring strategies that mitigate risks, promote financial stability, and support economic recovery in similar crisis situations.

## LITERATURE REVIEW

### Credit Restructuring Policies

Credit restructuring policies are vital tools employed by banks to manage financial distress among borrowers, particularly in challenging economic environments. These policies are designed to provide relief to borrowers facing difficulties in meeting their loan

obligations, thereby helping to stabilize the banking sector and maintain overall economic health. Credit restructuring refers to the modification of loan terms to make repayment more manageable for borrowers. This can include measures such as extending the repayment period, reducing interest rates, or even forgiving a portion of the principal amount owed (Mutuku, 2020). The primary goal of these policies is to prevent loans from becoming non-performing, which can lead to significant losses for banks and negatively impact their liquidity and capital adequacy ratios (Heningtyas et al., 2021).

The importance of credit restructuring policies is underscored during periods of economic downturn. For instance, during the COVID-19 pandemic, many businesses faced unprecedented challenges that severely hampered their revenue streams. In response, governments and financial authorities implemented various credit restructuring measures aimed at supporting micro, small, and medium-sized enterprises (MSMEs) (Adhikary et al., 2021). These measures not only help individual borrowers but also contribute to broader economic stability by preventing widespread defaults that could destabilize the banking system. The effectiveness of credit restructuring can be correlated with key banking performance metrics such as the LDR, ROA, NPL, and NIM.

The implementation of credit restructuring policies typically involves several key steps. First, banks must conduct thorough evaluations of borrowers' financial situations to determine eligibility for restructuring. This assessment includes analyzing cash flow statements, business viability, and overall market conditions (Altman et al., 2019). Based on the assessment, banks may offer various forms of relief, such as reducing interest rates to decrease monthly payments or extending loan terms to make repayments more manageable. In some cases, banks may even forgive a portion of the principal amount owed if it is deemed necessary for borrower survival (OJK PR/UN). Additionally, temporary equity participation can be employed as a strategy where debt is converted into equity, allowing banks to stabilize a borrower's financial position while gaining a stake in their recovery (Chatterji & Hedges, 2002). After restructuring, banks must closely monitor the restructured loans to ensure borrowers adhere to new terms and make progress toward financial recovery.

In conclusion, credit restructuring policies play a critical role in maintaining stability within the banking sector during economic crises. By providing necessary relief to borrowers, these policies help prevent defaults and support broader economic recovery efforts. However, successful implementation requires careful assessment, monitoring, and management to avoid potential pitfalls such as moral hazard and liquidity risks. As economies continue to navigate uncertainties like those posed by the COVID-19 pandemic, effective credit restructuring will remain an essential component of sound banking practices.

### **Loan to Deposit Ratio (LDR)**

LDR is a pivotal financial metric that gauges a bank's liquidity position by measuring the proportion of its deposits utilized for lending activities. Essentially, it represents the extent to which a bank leverages its deposited funds to extend loans to clients. A higher LDR indicates active lending practices, whereas a lower LDR signals a more cautious approach toward extending credits (Carindri & Untara, 2019).

To compute the LDR, one divides the total amount of outstanding loans by the total deposit balances. For instance, if a bank holds \$100 million in deposits and extends \$70 million worth of loans, its LDR would be 70%. This ratio is crucial for assessing a bank's liquidity and lending capacity. A high LDR suggests that a bank relies heavily on borrowed funds to finance its lending activities, increasing its exposure to liquidity risks and potential market shocks (Saleh & Afifa, 2020). Conversely, a low LDR implies that

the bank maintains sufficient liquid assets but may miss opportunities for generating additional revenues through increased lending ([Rajindra et al., 2021](#)).

### ***Impact of Economic Uncertainty and Credit Restructuring Policies***

During periods of economic uncertainty, such as the COVID-19 pandemic, banks confront significant challenges in sustaining their LDR. Governments worldwide, including those in Indonesia, responded by implementing credit restructuring policies designed to alleviate pressure on borrowers by permitting deferred or modified loan repayments ([Badriyah et al., 2024](#)).

These policies can substantially influence a bank's LDR. By enabling borrowers to temporarily suspend or alter their payment obligations, banks may witness a transient decrease in their LDR. However, as economic conditions stabilize and borrowers revert to standard repayment schedules, the LDR tends to recover ([Narayanan & Mehrotra, 2019](#)).

The LDR remains a vital tool for assessing both the immediate liquidity needs and the long-term sustainability of banking institutions. Its sensitivity to external factors makes it an indispensable metric for policymakers and bankers alike seeking to optimize financial resilience and adaptability. Given this context, it is hypothesized as follows:

H1: The credit restructuring policy at Bank Papua has a significant impact on LDR across the periods before, during, and after COVID-19.

### ***Return on Assets (ROA)***

ROA is a fundamental profitability ratio that measures a company's ability to generate earnings from its assets ([Muslih & Novan, 2021](#)). This ratio indicates how efficiently a bank is using its assets to produce profit. A higher ROA signifies better financial performance, reflecting effective asset management and operational efficiency ([Christiana et al., 2020](#); [Rahayu, 2019](#)). For instance, if a bank generates \$1 million in net income with an average total assets of \$10 million, its ROA would be 10%, indicating it earns 10 cents for every dollar of assets employed.

In the banking sector, ROA is particularly critical as it provides insights into how well a bank utilizes its resources to generate profit. Given the capital-intensive nature of banking operations, maintaining a strong ROA is essential for attracting investors and meeting regulatory capital requirements ([AL Ani & Chavali, 2023](#)). A consistently high ROA can enhance a bank's valuation and market position, as it demonstrates superior management efficiency compared to peers ([Aebi et al., 2012](#)).

### ***Impact of Credit Restructuring Policies***

Credit restructuring policies can significantly impact a bank's ROA. By deferring or restructuring loan payments to assist borrowers facing financial difficulties, banks may initially experience a decline in interest income. This reduction can adversely affect their net income, thereby lowering the ROA ([Williams, 2016](#)). However, if economic conditions improve and borrowers resume regular repayment schedules, the bank's ROA may recover as interest income stabilizes and potentially increases over time.

Moreover, the effectiveness of credit restructuring policies is influenced by broader economic conditions. During economic downturns or slow recoveries, even well-structured policies may not prevent an increase in NPLs, which can further strain net income and negatively impact ROA ([Arnone et al., 2024](#)). Thus, understanding the relationship between credit policies and economic cycles is crucial for assessing a bank's financial health.

ROA serves as an essential indicator of banking profitability and operational efficiency. The interplay between credit restructuring policies and ROA illustrates the complexities banks face in managing financial challenges while striving to maintain profitability amid changing economic conditions. Understanding these dynamics is vital for stakeholders aiming to evaluate a bank's performance comprehensively. Based on this theoretical framework, it is hypothesized as follows:

H2: The credit restructuring policy at Bank Papua has a significant impact on the ROA ratio across the periods before, during, and after COVID-19.

### **Net Interest Margin (NIM)**

NIM is a critical profitability ratio that quantifies the difference between the interest income generated by a bank from its loans and securities and the interest expenses it incurs on its deposits and other liabilities. Expressed as a percentage, NIM provides insight into how effectively a bank is managing its interest-earning assets relative to its interest-bearing liabilities. A higher NIM indicates better profitability, reflecting the bank's ability to generate more income from its lending activities compared to what it pays out in interest (Barik & Raje, 2019).

### ***Impact of Credit Restructuring Policies***

Credit restructuring policies can have a profound impact on a bank's NIM. When banks implement these policies by deferring or restructuring loan payments, they may initially experience a decline in interest income due to reduced cash flows from borrowers. This reduction can negatively affect their NIM as the gap between earned interest and paid interest narrows (Susanti & Budhidharma, 2024). However, if economic conditions improve and borrowers return to normal repayment schedules, banks may see their NIM recover as they regain lost interest income (Gatimu et al., 2018).

Furthermore, the effectiveness of credit restructuring policies is influenced by broader economic factors. In times of economic downturns or slow recovery, even well-intentioned restructuring efforts may not suffice to prevent an increase in NPLs, which further strains NIM (Pal, 2016). Thus, understanding the interplay between credit policies and economic conditions is essential for assessing a bank's financial health.

Therefore, it is hypothesized as follows:

H3: The credit restructuring policy at Bank Papua has a significant impact on the NIM ratio across the periods before, during, and after COVID-19.

### **Non-Performing Loan (NPL)**

NPLs represent a significant challenge for the banking sector, defined as loans that are not being repaid according to the agreed-upon terms. Typically, a loan is classified as non-performing when the borrower has not made scheduled payments for a period of 90 days or more (Sulistiyan et al., 2019; Wood & Skinner, 2018). A higher NPL ratio indicates an elevated risk of loan defaults, which can lead to substantial financial losses for banks and affect their overall stability (Singh et al., 2021).

### ***Impact of Credit Restructuring Policies***

Credit restructuring policies can play a crucial role in influencing a bank's NPL ratio. By offering relief to borrowers facing financial difficulties, these policies can help mitigate the risk of defaults and subsequently reduce the number of NPLs (Kasinger et al., 2021). However, the effectiveness of such measures is contingent upon the broader economic environment; if economic recovery is sluggish, banks may still experience an increase in



NPLs despite restructuring efforts (Dimri, 2023). This highlights the interconnectedness of macroeconomic conditions and banking stability.

Hence, this study hypothesizes as follows:

H4: The credit restructuring policy at Bank Papua has a significant impact on the NPL ratio across the periods before, during, and after COVID-19.

## RESEARCH METHOD

The chosen research location is the Head Office of Bank Papua, located at Jl. Ahmad Yani No. 5-7, Jayapura 99111, Papua, Indonesia. Bank Papua is one of the Regional Development Banks and a regional government-owned enterprise in the form of a limited liability company. As a government-owned bank in Papua, it acts as a business partner in implementing regional development programs, offering banking services, and generating returns such as dividends.

This study uses a Paired Sample T-test for data analysis. The Paired Sample T-test examines the effectiveness of treatments by assessing the differences in average values before and after treatment. This test aims to identify whether there is a significant difference in Bank Papua's financial performance before and after the announcement of the COVID-19 pandemic in Indonesia. Data processing is conducted using SPSS version 20.

### Steps for Data Analysis

#### *Descriptive Statistics*

Descriptive analysis is used to summarize and organize the collected data, making it easier to understand the data's characteristics for subsequent analysis. Descriptive statistics include methods for presenting and summarizing data, such as measures of central tendency (mean), data dispersion (variance and standard deviation), and other statistical features.

In this study, descriptive analysis involves calculating the average financial performance ratios of Bank Papua to determine performance levels before and during the COVID-19 pandemic.

#### *Difference Testing*

Difference testing involves comparing average values from related samples to evaluate the impact on a specific object. In this study, data from the pre-COVID-19 period, covering March 2019 to December 2019, is compared with data from the COVID-19 period, spanning March 2020 to December 2020. The analysis is conducted using a two-tailed test with a significance level set at  $\alpha = 0.05$ , and the degrees of freedom are calculated as  $df = n - 1$ . This approach enables a systematic examination of changes and their significance over the two periods.

#### *The Formula for Calculating t*

$$t = \frac{d}{\frac{sd}{\sqrt{n}}}$$

$$\text{where } sd = \frac{\sum d^2 - \frac{(\sum d)^2}{n}}{n-1}$$

#### *Significance Testing*

This test determines whether the null hypothesis is rejected or accepted based on the comparison between the t-value and the critical t-value from the table.

### **Paired Sample T-test**

The Paired Sample T-test is used to compare the means of paired samples. It is a parametric test requiring normally distributed data. The significance of differences is assessed at a 95% confidence level.

### **Decision Rules**

The significance value serves as a critical determinant in evaluating the financial performance of Bank Papua before and during the COVID-19 pandemic. If the significance value exceeds 0.05, it indicates no significant difference in financial performance between the two periods. However, if the significance value is less than 0.05, it suggests a significant difference, implying that COVID-19 had an impact on Bank Papua's financial performance. This threshold allows for a clear conclusion about the pandemic's effect, with a value above 0.05 indicating no impact and a value below 0.05 confirming a measurable influence on financial outcomes.

## **RESULTS**

Descriptive statistics are used to determine the characteristics of data analyzing financial performance ratios with mean values before and during COVID-19 at Bank Papua, the ratios are the liquidity ratio represented by the LDR, the profitability ratio represented by ROA and NIM, and the asset quality ratio represented by the NPL ratio. The results of this study with the provision of the following data.

**Table 1.** Statistical Test on Loan to Deposit Ratio (LDR)

	N	Mean	Std. Deviation
LDR1	28	74.567	7.46074
LDR2	28	69.683	11.88374
LDR3	28	70.197	6.99374
Valid N	28		

Source: Processed Data (2024)

According to SE-BI No.13/24/DPNP/2011, the LDR is considered safe if its value is not less than 60% and not more than 120%. Based on [Table 1](#), the LDR variable of Bank Papua before COVID-19 had an average value of 74.57%, indicating that the Bank's LDR during the 2017–2019 period was within the safe or healthy category. This average value serves as a reference for assessing the LDR, where a higher LDR indicates increased liquidity risk but also higher profitability, as it reflects the extent of financing or credit disbursed using Third Party Funds.

During the 2019–2021 period, the average LDR value was 69.68%. According to SE-BI No.13/24/DPNP/2011, this value is also categorized as safe, falling within the stipulated range. This indicates that the LDR during the 2020–2021 period remained very healthy, with an increase in financing or credit distribution compared to the pre-COVID-19 period.

In the 2022–2023 period, the average LDR value rose slightly to 70.2%. As per SE-BI No.13/24/DPNP/2011, this value also qualifies as safe, meeting the regulatory provisions. This suggests that the LDR in 2022–2023 was very healthy, showing a recovery and further growth in financing or credit disbursement compared to the COVID-19 period.

**Table 2.** Statistical Test on Return on Assets (ROA)

	N	Mean	Std. Deviation
ROA1	28	1.29788	0.146074

ROA2	28	1.59188	0.008374
ROA3	28	1.72442	0.099374
Valid N	28		

Source: Processed Data (2024)

According to Bank Indonesia Circular Letter No. 13/24/DPNP/2011, the ROA is categorized as very healthy if it exceeds 2% and considered unhealthy if it falls below 0.5%. Based on Table 2, the Bank's ROA variable before COVID-19, specifically during the 2017–2019 period, had an average value of 1.29%. This indicates that the Bank's ROA ratio during that period was healthy, as it was above 0.5%. However, the value suggests that the Bank's ability to achieve profitability from its operational activities was moderate rather than very strong.

During the COVID-19 period, from 2019 to 2021, the Bank's ROA variable had a mean value of 1.59%. This value is also categorized as healthy, being above 0.5%. When compared to the pre-COVID-19 period, the ROA ratio shows a slight increase, indicating an improvement in the Bank's performance in terms of operational profitability during the pandemic.

In the post-COVID-19 period, from 2021 to 2023, the Bank's ROA variable recorded an average value of 1.72%. This value remains in the healthy category, being above 0.5%. When compared to the COVID-19 period, the ROA ratio exhibits a continued upward trend, reflecting further improvements in the Bank's ability to generate profitability from its operational activities.

**Table 3.** Statistical Test on Net Interest Margin (NIM)

	N	Mean	Std. Deviation
NIM1	28	2.6633	0.48734
NIM2	28	2.2833	0.83404
NIM3	28	2.3300	0.97324
Valid N	28		

Source: Processed Data (2024)

According to Bank Indonesia Circular Letter No. 13/24/DPNP/2011, the NIM is classified as very healthy if it exceeds 5% and considered unhealthy if it is below 1.49%. Based on Table 3, the NIM variable of Bank Papua before COVID-19, during the 2017–2019 period, had an average value of 2.66%. This indicates that the NIM ratio was categorized as safe or healthy, reflecting the Bank's ability to maintain a stable NIM ratio during that period.

During the COVID-19 period, from 2019 to 2021, the NIM variable recorded an average value of 2.28%. While this value is still considered healthy, it reflects a decline in performance when compared to the pre-COVID-19 period. This suggests that the Bank faced challenges in maintaining the same level of NIM during the pandemic.

In the post-COVID-19 period, from 2021 to 2023, the NIM variable showed an average value of 2.33%. This value remains within the healthy category, indicating that the Bank was able to sustain its NIM ratio. Additionally, when compared to the previous period, the NIM ratio experienced a slight improvement, demonstrating a recovery in performance after the challenges faced during the pandemic.

**Table 4.** Statistical Test on Non-Profit Loan (NPL)

	N	Mean	Std. Deviation
NPL1	28	2.919	1.69454



NPL2	28	5.564	1.81924
NPL3	28	6.308	1.95661
Valid N	28		

Source: Processed Data (2024)

According to Bank Indonesia Circular Letter No.13/24/DPNP/2011, NPL is considered very healthy if it is less than 2% and is said to be unhealthy if it is greater than 8%. Based on Table 4, it is known that the Bank's NPL variable before COVID-19 showed an average value of 2.92%. Thus, the average value of the NPL ratio is categorized as safe. It can be concluded that Bank Papua is able to maintain the NPL ratio in the 2017-2019 period.

It is known that the NPL variable of Bank Papua for the period 2020-2021 shows an average value of 5.56%. This value according to Bank Indonesia Circular Letter No.13/24/DPNP/ 2011 is considered quite healthy. Thus, it can be seen that the average value of the NPL ratio in the period 2020-2021 is categorized as safe. However, when compared to the previous period, Bank Papua's NPL ratio was unable to maintain the NPL ratio.

Meanwhile, it is known that the NPL variable of Bank Papua for the period 2021-2023 shows an average value of 6.31%. This value is considered quite healthy. Thus, it can be seen that the average value of the NPL ratio in the period 2021-2023 is categorized as safe. However, when compared to the previous period, the NPL ratio experienced a decline in performance due to COVID-19.

**Table 5.** Paired Sample T-test LDR

		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
					Lower	Upper			
Pair 1	Before COVID-19 - When COVID-19	4.86667	8.11439	4.68485	-15.29060	25.02393	1.039	2	0.408
Pair 2	When COVID-19 - After COVID-19	-0.50000	7.71492	4.45421	-19.66493	18.66493	-0.112	2	0.921

Source: Processed Data (2024)

The results of the Paired Sample T-test for the LDR in Table 5 indicate that the credit restructuring policy had no significant impact on the LDR at Bank Papua before, during, and after the COVID-19 pandemic. Specifically, the p-values for both Pair 1 (Before COVID-19 - When COVID-19) and Pair 2 (When COVID-19 - After COVID-19) were 0.408 and 0.921, respectively, both of which are greater than the 0.05 significance level. This suggests that there was no substantial difference in the LDR during the different periods analyzed. These findings do not support H1 that the credit restructuring policy had a significant effect on the LDR. Therefore, while the credit restructuring policy may have impacted other financial performance indicators, it appears to have had no measurable effect on the LDR throughout the periods under study.

**Table 6.** Paired Sample T-test ROA

		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
					Lower	Upper			

Pair 1	Before COVID-19 - When COVID-19	-2.64500	1.75401	1.01268	-7.00221	1.71221	-2.612	2	0.121
Pair 2	When COVID-19 - After COVID-19	-0.74467	3.45648	1.99560	-9.33104	7.84171	-2.373	2	0.745

Source: Processed Data (2024)

The findings of this study in Table 6 indicate that the credit restructuring policy at Bank Papua did not significantly impact the ROA ratio across the periods before, during, and after COVID-19, which contradicts the hypothesis H2, which posited that the policy would have a significant impact on ROA. The results from the Paired Sample T-test show that the p-values for both Pair 1 and Pair 2 were 0.121 and 0.745, respectively, both of which are greater than the 0.05 significance level. These results suggest that there was no meaningful difference in the ROA ratio across the different periods. Therefore, the hypothesis H2, which assumed a significant impact of the credit restructuring policy on ROA, is not supported by the data. The findings imply that the credit restructuring policy did not lead to a substantial change in the bank's profitability, as measured by ROA, before, during, or after the pandemic.

**Table 7.** Paired Sample T-test NIM

		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
					Lower	Upper			
Pair 1	Before COVID-19 - When COVID-19	-0.30000	0.15716	0.09074	-0.69041	0.09041	-3.306	2	0.081
Pair 2	When COVID-19 - After COVID-19	-0.12333	0.27574	0.15920	-0.80831	0.56165	-0.775	2	0.520

Source: Processed Data (2024)

The findings of this study in Table 7 indicate that the credit restructuring policy at Bank Papua did not significantly affect the NIM ratio across the periods before, during, and after the COVID-19 pandemic, which does not support hypothesis H3 that posited a significant impact on the NIM ratio. The Paired Sample T-test results for Pair 1 yielded a p-value of 0.081, which, while greater than 0.05, is close to the threshold for statistical significance, suggesting that a potential difference may exist and warrant further investigation. Additionally, the p-value for Pair 2 was 0.520, which is well above 0.05, indicating no significant difference in the NIM ratio between the two periods. These results imply that the credit restructuring policy did not lead to any substantial changes in the NIM ratio, either during or after the pandemic, thereby failing to support the hypothesis that the policy would significantly affect the NIM ratio across these periods. However, the marginal significance observed before and during COVID-19 may warrant further exploration in future studies.

**Table 8.** Paired Sample T-test NPL

		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
					Lower	Upper			
Pair 1	Before COVID-19 - When	0.38000	0.50468	0.29138	-0.87369	1.6336	1.304	2	0.320

	COVID-19								
Pair 2	When COVID-19 - After COVID-19	-0.04667	0.71822	0.41466	-1.83081	1.7374	-0.113	2	0.920

Source: Processed Data (2024)

The findings of this study in Table 8 indicate that the credit restructuring policy at Bank Papua had no significant impact on the NPL ratio across the periods before, during, and after the COVID-19 pandemic, which does not support hypothesis H4 that suggested a significant effect on the NPL ratio. The Paired Sample T-test results for Pair 1 yielded a p-value of 0.320, which is greater than the 0.05 threshold for statistical significance, indicating that the credit restructuring policy did not substantially affect the NPL ratio during the pandemic. Similarly, the p-value for Pair 2 was 0.920, also well above 0.05, suggesting that the NPL ratio remained stable as the economic conditions shifted from the pandemic to the post-pandemic period. These results consistently show that the credit restructuring policy had no significant impact on the NPL ratio, thereby failing to support the hypothesis that it would significantly influence the NPL ratio across these periods.

## DISCUSSION

This study aimed to evaluate the impact of Bank Papua's credit restructuring policy on key financial performance indicators, namely LDR, ROA, NIM, and NPL, across the periods before, during, and after the COVID-19 pandemic. The results of the analysis provide valuable insights into the effectiveness of the policy and its implications for the bank's financial stability.

### Loan-to-Deposit Ratio (LDR)

The steady and healthy LDR values across all periods, as per SE-BI No.13/24/DPNP/2011, suggest that Bank Papua effectively managed its liquidity risks and maintained sufficient credit disbursement. This resilience highlights the institution's capacity to weather economic disruptions while adhering to regulatory standards.

The findings of this study demonstrate that Bank Papua's credit restructuring policy had no significant impact on the LDR across the periods before, during, and after the COVID-19 pandemic. This conclusion is supported by p-values of 0.408 and 0.921 for Pair 1 and Pair 2, respectively, indicating no significant changes in the LDR during the early stages of the pandemic or as conditions transitioned to the post-pandemic period. These results suggest that the policy's primary focus was on mitigating immediate credit risks rather than influencing broader liquidity management practices at the bank.

This aligns with the findings of Riza and Mawardi (2024), who observed no significant effect of credit restructuring efforts on LDR in their study of a comprehensive bank sample. The consistency across these studies highlights that restructuring policies, while beneficial for addressing short-term credit challenges, do not appear to directly influence liquidity ratios like the LDR. This further underscores the notion that liquidity management is shaped by more complex and structural factors beyond policy interventions like credit restructuring.

### Return on Assets (ROA)

The consistent increase in ROA from the pre-pandemic through the post-pandemic periods, while remaining in the "healthy" category, reflects Bank Papua's ability to sustain and improve operational profitability despite economic challenges. The results indicate resilience and adaptability, likely supported by measures such as cost efficiency and

strategic credit policies during the pandemic.

The findings of this study, which reveal no significant impact of the credit restructuring policy on the ROA at Bank Papua across the COVID-19 periods, present an interesting contrast to the study by [Irwan et al. \(2022\)](#). For Pair 1, a p-value of 0.121 indicated no significant difference in ROA during the early pandemic phase, while Pair 2's p-value of 0.745 confirmed the absence of significant changes in ROA post-pandemic. This suggests that the restructuring policy implemented by Bank Papua prioritized short-term relief for debtors, potentially at the expense of immediate financial performance improvements, yet managed to maintain asset stability despite broader economic disruptions.

In contrast, a previous study by [Irwan et al. \(2022\)](#) found that credit restructuring significantly affected financial performance metrics such as ROA and NPL for a broader sample of banking institutions in Indonesia. Their results highlighted that while banking companies generally maintained the ability to meet obligations during the pandemic, credit restructuring facilitated notable changes in financial performance indicators. The divergence between these findings and the results of the current study may be attributed to differences in regional economic conditions, the scale of operations, and the strategic focus of Bank Papua compared to the broader banking sector. While [Irwan et al.'s \(2022\)](#) findings suggest that restructuring can have a measurable impact on financial performance, the current study highlights the resilience of Bank Papua's asset management and profitability, which remained stable despite the challenges posed by the pandemic. This stability may reflect the unique financial and operational dynamics of the region, where the restructuring policy may have had less influence on profitability and more on maintaining operational continuity.

#### **Net Interest Margin (NIM)**

The stable NIM values, categorized as "healthy," despite slight declines during the pandemic, underscore the bank's ability to manage interest margins amidst fluctuating market conditions. The slight decline during COVID-19 aligns with [Cahyadi and Mardanugraha \(2024\)](#), who found that monetary policy impacts on NIM were more pronounced pre-pandemic. This suggests that external monetary factors and internal credit restructuring efforts played a role in the bank's NIM performance.

The findings for NIM in this study suggest that the credit restructuring policy did not have a statistically significant impact, as reflected by the p-values of 0.081 and 0.520 for the periods before and during COVID-19, and during and after COVID-19, respectively. However, the near-significant difference observed in the earlier period hints at a possible short-term effect, likely stemming from temporary adjustments in interest spreads to accommodate restructured loans. This interpretation aligns with the capacity of Bank Papua to implement interest rate strategies that balanced loan yields and funding costs during the pandemic, ensuring the stability of NIM in the post-pandemic period despite potential pressures.

These findings partially correspond with the study by [Cahyadi and Mardanugraha \(2024\)](#), which highlighted that monetary policy significantly influenced NIM only in the pre-pandemic period. Specifically, the study noted that banks were slow to respond to reductions in the BI7DRR by lowering credit interest rates, which may have limited the immediate impact of monetary adjustments on interest margins. Similarly, in the context of Bank Papua, the absence of a sustained significant impact of credit restructuring on NIM may reflect broader structural factors, such as the bank's deliberate approach to loan repricing and its strategic response to external monetary policies.

Overall, the results underscore the complex relationship between internal restructuring policies and external monetary dynamics, emphasizing the importance of adaptive financial strategies that can maintain stability in key performance indicators like NIM during economic disruptions.

### **Non-Performing Loans (NPL)**

The NPL ratio's shift from "safe" pre-pandemic to "quite healthy" during and post-pandemic indicates the challenges faced in maintaining asset quality amid economic uncertainties. Despite an increase in NPL values, the bank managed to remain within a "safe" category as per regulatory standards.

The findings of this study, which revealed no significant impact of the credit restructuring policy on the NPL ratio across all periods, present an intriguing divergence from the results of [Irwan et al. \(2022\)](#). For Pair 1, a p-value of 0.320 indicated no significant difference in NPL during the early pandemic phase, while Pair 2's p-value of 0.920 confirmed the stability of the NPL ratio as the economy transitioned to the post-pandemic period. These findings suggest that while credit restructuring policies at Bank Papua may have provided essential short-term relief for borrowers, they did not result in significant measurable changes in managing non-performing loans. This could reflect the strategic focus of the policy, which may have prioritized immediate liquidity support over structural improvements in credit quality.

On the contrary, [Irwan et al. \(2022\)](#) found a significant relationship between credit restructuring and financial performance metrics, including NPL and ROA, in a broader sample of Indonesian banks. Their study emphasized that even with extended credit restructuring, most banks maintained their ability to meet obligations while experiencing significant adjustments in their performance indicators. The discrepancy between these findings and the current study could be attributed to contextual differences, such as the unique economic environment of Papua, the scale of Bank Papua's operations, or the specific design and implementation of its credit restructuring policies. While [Irwan et al.'s \(2022\)](#) results highlight the potential of restructuring to influence financial performance, this study suggests that its impact may not be uniform across all banks or regions. These findings underscore the importance of tailoring financial strategies to regional conditions and exploring complementary measures to achieve sustainable improvements in financial stability during periods of economic uncertainty.

## **CONCLUSION**

The findings of this study reveal that the credit restructuring policy implemented during the COVID-19 pandemic had varying impacts on Bank Papua's key financial performance indicators. The LDR remained stable and within the healthy range across all periods, indicating that the bank successfully managed its liquidity without significantly altering its broader liquidity strategies. Similarly, the ROA demonstrated steady improvements during and after the pandemic, reflecting the bank's resilience and ability to sustain profitability despite economic disruptions. The NIM showed minor fluctuations, particularly during the pandemic, hinting at temporary adjustments to interest spreads to accommodate restructured loans. However, these adjustments were not sustained, and the NIM stabilized post-pandemic. The NPL ratio, while increasing during the pandemic, remained within acceptable regulatory thresholds, underscoring the bank's efforts to manage credit risk amidst challenging conditions.

These findings suggest that while credit restructuring policies were effective in providing short-term relief for borrowers, their impact on the broader financial performance of the bank was limited. The results highlight the importance of complementing such policies



with more targeted strategies to enhance long-term financial stability and operational efficiency. For example, integrating risk management practices with proactive credit monitoring and offering tailored financial products could help mitigate credit risks and improve profitability.

From a policy perspective, the study underscores the necessity for financial institutions to adopt flexible yet robust frameworks capable of addressing both immediate economic shocks and sustainable recovery. Regulators and policymakers should consider designing restructuring policies that not only provide relief but also support the financial health of banks, ensuring a balanced approach to crisis management. For Bank Papua, further investments in digital transformation and capacity building could strengthen its operational resilience and enhance customer satisfaction, enabling it to navigate future economic uncertainties more effectively.

The implications of this study extend to the broader banking sector, emphasizing the need for adaptive strategies that align with regulatory standards while promoting stability and growth. Future research could explore the integration of technological innovations and market-based solutions to complement credit restructuring efforts, providing deeper insights into the interplay between policy interventions and financial performance in the post-pandemic era.

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#### DECLARATION OF CONFLICTING INTERESTS

The authors declare no potential conflicts of interest.

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