

## RESEARCH ARTICLE

## INDONESIAN BANKING INDUSTRY PERFORMANCE ANALYSIS: MONTHLY DECLINE TREND WITH WORRYING ANNUAL GROWTH

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## ABSTRACT

This research aims to analyze the performance of the banking industry in Indonesia in January 2024. The research method used is descriptive quantitative using secondary data obtained from the Financial Services Authority. Analysis is carried out on credit distribution, collection of Third Party Funds (DPK), and other key financial ratios. Research findings show a monthly decline in credit distribution and deposits, but annual growth is still positive. Working Capital Credit is the main driver of credit growth, with state-owned banks making a significant contribution. Covid-19 restructuring credit continues to decline, reflecting post-pandemic economic recovery. Even though DPK experienced a monthly contraction, annual growth remained positive, mainly driven by growth in current accounts. The non-performing loan (NPL) ratio showed a monthly increase, but decreased annually, indicating stability in credit quality. This research recommendation involves multi-period analysis and the addition of variables for further research, with the hope of providing a greater contribution to the strategic decision-making of stakeholders in the Indonesian banking sector.

## KEYWORDS

Indonesian Banking Industry, Financial Performance, Credit Distribution, Third Party Funds (DPK)

## 1. INTRODUCTION

The Indonesian banking industry is a crucial element in the country's economy, playing an important role in driving finance and supporting economic activity. Therefore, a deep understanding of the performance of this sector is the key to responding to and anticipating evolving economic dynamics. Data from the Monthly Board of Governors (RDG) Meeting of the Financial Services Authority (OJK) in early January 2024 provides an interesting picture, showing diversity in the development of the banking industry.

Even though there is a monthly decline in several indicators, such as credit distribution and the collection of Third Party Funds (DPK), the growth which remains positive on an annual basis provides a complex nuance. Credit distribution decreased monthly by 0.46%, mainly influenced by the annual cycle that generally occurs at the beginning of the year. However, credit growth which remains strong at 11.83% on an annual basis shows the resilience of this sector amidst global uncertainty.

In addition, the significant decline in COVID-19 restructuring credit, along with improving economic conditions post-pandemic, provides a positive picture. Even though challenges such as an increase in the monthly non-performing loan (NPL) ratio arise, this ratio remains below the maximum limit set by Bank Indonesia, reflecting the resilience of the banking sector.

In this context, analyzing the performance of the banking industry is important to understand the dynamics of change and make the right decisions to support national economic stability and growth. Therefore, this research will further discuss the tense monthly downward and annual growth trends in the Indonesian banking industry, explore the factors that influence them, and provide an in-depth view of the direction of future developments.

Analysis of the performance of the Indonesian banking industry is a very valuable instrument for understanding the current conditions of the financial sector. By detailing monthly developments and annual growth trends, this analysis provides an in-depth look at how the banking industry is adapting to changing economic dynamics. The findings resulting from this analysis not only form the basis for strategic policies for the government and regulators but also provide the necessary insight for banking industry players in designing their steps.

This analysis also has practical benefits in strategic decision-making, enabling stakeholders to respond effectively to changing market conditions. In addition, the financial ratios monitored in the analysis, such as NPL, CAR, and LDR, provide vital indicators of financial sector stability. This clarity is crucial to preventing financial crises and maintaining public confidence in the integrity of the banking system.

For investors and financial analysts, the results of this analysis provide strong guidance for making smart, risk-based investment decisions. This data transparency also supports the overall risk evaluation process. In addition, analysis of banking industry performance has the potential to be a valuable contribution to further economic research, providing a deeper understanding of how the banking sector adapts to economic changes and global dynamics. Thus, banking industry performance analysis not only summarizes the state of the financial sector but also provides a positive impact in supporting policy, economic stability, and decision-making at all levels.

The aim of analyzing the performance of the Indonesian banking industry is to provide a comprehensive understanding of the current conditions of the financial sector. First, this analysis aims to identify and evaluate monthly developments in credit distribution, collection of Third Party Funds (DPK), and other key financial ratios. Thus, the aim is to provide an

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accurate picture of changing market conditions and short-term trends in the banking industry.

Second, this analysis aims to analyze the annual growth of the banking sector, especially in terms of credit distribution and financial performance. This can provide insight into the banking sector's resilience in facing long-term economic challenges and provide useful information for strategic planning.

Furthermore, the aim of analyzing the performance of the banking industry is to identify risk factors that may affect the stability of the financial sector, such as an increase in the non-performing loan ratio (NPL) or changes in the capital adequacy ratio (CAR). Thus, this analysis provides a basis for preventing financial crises and protecting against systemic risks.

In addition, this analysis aims to provide useful information for stakeholders, including governments, regulators, investors, and industry players, to support strategic decision-making. The data and findings from this analysis can also be used as a reference for further research in understanding the dynamics of the Indonesian banking industry.

Overall, the main objective is to provide an in-depth understanding of the performance of the Indonesian banking sector, which can be used as a basis for effective decision-making, strategic planning, and sustainable risk management.

This research has several fundamental interests. First, analysis of the performance of the Indonesian banking industry is very important to understand overall economic conditions. As a sector that has a central role in providing financial resources for various economic sectors, banking performance provides an indication of the health of the economy at large. Therefore, this research makes a significant contribution to monitoring and evaluating financial sector stability.

Second, this research is important for regulators and financial authorities in policy making. By understanding banking trends and dynamics, regulators can adjust their policies to maintain stability and prevent systemic risks. The findings from this research can form the basis for policy reforms that support sustainable economic growth and banking sector efficiency.

Third, this analysis also has important value for banking industry players, investors, and other stakeholders. The information provided can be used as a guide for investment decision-making, business strategy, and risk management. Industry players can better respond to market dynamics with a better understanding of their operational environment.

Additionally, this research plays an important role in supporting financial sector transparency and accountability. By providing objective data and analysis, this research helps create a balanced information platform for all stakeholders, including the general public.

Overall, the importance of this research lies in its contribution to a comprehensive understanding of the health of the Indonesian banking sector, which in turn influences economic stability and societal welfare.

## 2. THEORETICAL BASIS AND PRIOR RESEARCH

Agency Theory is a conceptual framework used in a variety of scientific disciplines, including economics, management, and financial science (Jassim et al., 1988; McGuire, 1988; Morris, 1987). This theory attempts to explain the relationship between parties who have different interests or goals, such as owners and agents hired to manage certain assets or tasks.

Agency theory discusses agency problems, namely situations where trust and responsibility are faced with potential problems due to differences in interests. The agency often occurs in the context of the relationship between company owners (shareholders) and company managers who are hired to manage day-to-day operations.

The main thinking behind Agency Theory is how to ensure that agents (managers or other parties acting on behalf of the owner) act in the owner's interests and maximize the value of the company. Various mechanisms and incentives, such as remuneration systems and corporate governance, can be implemented to overcome this agency problem.

Agency theory, proposed by experts such as Jassim, Dexter, Sidhu, McGuire, and Morris, has important relevance in analyzing the performance of the Indonesian banking industry, especially when it involves the relationship between owners and banking management. The concept of agency costs is central to understanding how agency conflicts

between shareholders and managers can affect banking performance. In situations where owners wish to ensure that management acts in their best interests, banking performance analysis can account for agency costs as an impact of this potential misalignment.

Alarming annual growth, as one aspect of performance analysis, can be seen as the result of management incentives to achieve growth that may not be aligned with the long-term interests of shareholders. Agency theory suggests that agency conflicts can arise when management focuses more on asset growth than on the long-term sustainability of profitability. Therefore, banking performance analysis needs to consider the impact of this growth on long-term value.

Apart from that, the risk management aspect also becomes relevant within the framework of Agency Theory. Banking management, which has incentives to take risks that may not be aligned with the interests of owners, can be reflected in the risk management strategies implemented. Performance analysis must be able to identify whether management can manage risks effectively and in line with the interests of shareholders.

Finally, in the context of the non-performing loan (NPL) ratio, Agency Theory can provide insight into agency conflicts that may occur. Management that has incentives for aggressive credit growth may be inclined to take on higher risks, which could be reflected in increased levels of non-performing loans. Therefore, banking performance analysis needs to take this factor into account to investigate potential agency problems in banking operations. By using an Agency Theory perspective, analysis of banking industry performance can provide a deeper understanding of the relationship between owners and management and identify potential agency problems that need to be addressed.

In this literature review section, seven studies related to the research topic will be reviewed. The study will begin with research aimed at analyzing the performance and efficiency of banks in Bangladesh, with a focus on scheduled banks such as state-owned, private commercial, foreign banks, and specialized banks (Yesmine et al., 2022). Through the use of the CAMELS ranking system and the Data Envelopment Analysis (DEA) method, this research produces findings that foreign commercial banks are rated the best in terms of performance, while state-owned banks and specialized banks receive less satisfactory ratings. Only two banks are considered efficient on the scale, namely Citibank NA and HSBC Bank. Recommendations are provided to policymakers to improve the performance and efficiency of the banking industry in Bangladesh. Regarding the situation in Indonesia, this research provides a comparable perspective, enabling a better understanding of the factors that influence bank performance. The implications of these findings can be applied in designing improvement strategies in the Indonesian banking sector, especially related to risk management, credit distribution, and efforts to increase operational efficiency to overcome the challenges of worrying monthly declines and annual growth.

The next study will briefly explain the relationship between banking industry performance and foreign direct investment (FDI) in the economic context of Bangladesh (Alam et al., 2023). Using the ARDL model and time series data, this research conveys an interesting finding, namely that good banking performance may have a negative impact on FDI inflows, an uncommon insight. In Bangladesh, factors such as trade openness, inflation rate, and infrastructure development are more dominant in driving FDI inflows than market size. This research provides a unique contribution because it focuses on aspects that have not been widely explored in the literature, opening up a new understanding of the relationship between banking performance and FDI. The implications are also relevant to support policy and strategic decision-making in various sectors, including banking, which can be adapted in the Indonesian context to understand the impact of FDI on domestic banking performance.

Next, examine research that aims to examine the factors that influence the performance of private banks in Ethiopia. With data from 2010 to 2021, this study uses PLS-SEM with Gaussian copula estimation to overcome the endogeneity problem (Bushashe, 2023). The results show that industry-specific factors and macroeconomic variables have a significant negative impact on bank performance. In contrast, bank-specific factors have a statistically positive impact on the performance of banks and the banking industry. Industry-specific factors also positively mediate the relationship between bank-specific factors and bank performance. In conclusion, continuous monitoring and stakeholder support can prevent bank failures and improve their financial performance. This finding is relevant to the analysis of the performance of the Indonesian banking industry, which faces monthly declines but continues to grow annually. In this context, understanding the factors that influence bank performance can help identify solutions to support the growth of the banking industry amidst challenges.

Then, research investigating the impact of the Treasury Single Account (TSA) policy in Tanzania on banking sector performance, taking into account ownership concentration, bank size, and macroeconomic variables (Mkaro et al., 2023). Using a balanced panel dataset of 30 banks over the period 2010Q1 to 2020Q4, this research uses a regression method to analyze the results. The results show that, after the adoption of the TSA, foreign and state-owned banks are more resilient, while the performance of private and domestic banks worsens. Small banks are more resilient to the impact of the TSA than large banks. The effects of interest rates, GDP, and exchange rates turn negative, while the effects of inflation on bank performance increase after the adoption of the TSA. This study provides additional insights into TSA systems in Africa and fills a gap in the literature by exploring their impact on banking sector performance by considering different types of banks. This research also provides policy recommendations, including the need for an appropriate balance in regulations post-TSA adoption and government support for economic sectors that encourage growth. Banks are also expected to develop innovative strategies to attract deposits from the public.

Then, the research aims to provide empirical evidence regarding the impact of the COVID-19 pandemic on banking performance in Indonesia (Susanti et al., 2023). The focus of the research is the difference in banking performance before and during the pandemic. Using the CAMEL method as a performance measure, analysis was carried out with a difference test using SPSS version 22.0. The results show significant differences in several banking performance parameters, such as CAR, ROA, ROE, BOPO, LDR, and Customer Deposits, between the period before and during the COVID-19 pandemic. However, there is no significant difference in banking NPL levels. These findings indicate that the COVID-19 pandemic has had a negative impact on Indonesian banking, and requires special attention for future recovery. In the context of the Indonesian banking industry which is also experiencing a monthly downward trend but with worrying annual growth, these findings can provide further insight into the factors that influence banking performance amidst global uncertainty.

The next literature review aims to examine the impact of ESG (Environmental, Social, and Governance) practices on the financial performance of Pakistan's banking industry during the pre-COVID-19 period and period (Zahid et al., 2023). Data was collected from selected banks' annual reports for the pre-COVID-19 period (2018) and the COVID-19 period (2020). The t-test results show that there are significant differences in ESG disclosure between the pre-COVID-19 period and the period. Regression analysis shows that formative ESG factors have a positive influence on the financial performance of the banking industry during the pre-COVID-19 period. Meanwhile, reflective factors (environmental and social) had a positive influence on the financial performance of the banking industry in that period. During the COVID-19 period, ESG formative factors were found to have a significant positive impact on the financial performance of the banking industry. Likewise, in this period, reflective factors (social and governance) were also found to have a significant positive impact on the financial performance of the banking industry. Interestingly, environmental sustainability has had a negative impact on financial performance during the COVID-19 period. This shows that the banking industry neglected environmental sustainability practices during the COVID-19 period, which negatively impacted their financial performance. This suggests that ignoring environmental sustainability practices will worsen financial performance after the COVID-19 period. These findings have profound policy implications for practitioners and policymakers in the banking industry, which are discussed further.

Lastly, the research aims to compare the performance of Islamic and conventional banks in dealing with the impact of the pandemic, especially how resilient or risky they are (Ghenimi et al., 2024). By involving 82 banks in the Middle East and North Africa region during the 2011–2020 period, this research uses dynamic panel data methods to evaluate their resilience during the COVID-19 pandemic. The results show that this pandemic has had a negative impact on the stability of conventional banks, while Islamic banks are more resilient and have lower risks. This research also highlights the important role of high-quality capital in controlling risk and improving bank performance during the pandemic. The practical implications of this research provide important financial insights and policy implications for stakeholders and can be used by bank policymakers to improve risk management, especially in the context of the Indonesian banking industry which is experiencing monthly declines with worrying annual growth.

### 3. RESEARCH METHODS

This research uses a quantitative descriptive method with a secondary data analysis approach from the Financial Services Authority (OJK),

Republic of Indonesia. The data used in this research comes from the OJK Monthly Board of Governors Meeting (RDG), which covers developments in the banking industry in January 2024. This method is used to provide a clear and accurate picture of the condition of the banking industry during that period.

## 4. DISCUSSION

Based on data from the Monthly Board of Governors Meeting (RDG) of the Financial Services Authority (OJK) in early January 2024, the development of the banking industry in Indonesia shows diversity. Even though there was a monthly decline in credit disbursement and collection of Third Party Funds (DPK), annual growth still showed a positive trend. Monthly credit distribution decreased by 0.46%, but on an annual basis, it continued to grow by 11.83%, mainly driven by an increase in the number of Working Capital Loans. State-owned banks are the main driver of credit growth with growth of 14.44% on an annual basis. On the other hand, COVID-19 restructuring credit continues to decline, decreasing 5.48% monthly and 42.35% annually, supported by improving national economic conditions after the COVID-19 pandemic. Even though banking deposits experienced a monthly contraction of 0.5%, annual growth remained positive at 5.70%. Meanwhile, the non-performing loan (NPL) ratio experienced a slight increase every month, but on an annual basis, it decreased. In the context of profitability, the banking industry showed a slight decline in both return on assets (ROA) and net interest margin (NIM). Banking ROA in January 2024 reached 2.71%, lower than in December 2023 and January 2023. Meanwhile banking NIM fell to 4.54% in January 2024. In terms of capital, the capital adequacy ratio (CAR) experienced a monthly decline but increased annually, reaching 27.54% in January 2024. However, OJK stated that this figure is still within safe limits. The loan-to-deposit ratio (LDR) increased monthly and annually, reaching 83.87% in January 2024. However, the credit risk ratio (LaR) experienced a slight increase every month, but was lower annually, at the level of 11.6% (Kartika, 2024).

### 4.1 Author's Opinion

Data from the Financial Services Authority (OJK) Monthly Board of Governors (RDG) Meeting in early January 2024 reflects the complex dynamics in the Indonesian banking industry. Despite a monthly decline in credit disbursement and collection of Third Party Funds (DPK), annual growth shows encouraging resilience. The monthly credit decline of 0.46% to IDR 7,058 trillion in January 2024 is a highlight, but annual growth of 11.83%, mainly driven by working capital credit, paints a more optimistic picture.

State-owned banks emerged as the main driving force with annual credit growth reaching 14.44%. In addition, the significant decline in COVID-19 credit restructuring, decreasing 5.48% monthly and 42.35% annually, reflects the post-pandemic recovery of the national economy. The monthly contraction of 0.5% in TPF collections in January 2024 may be a cause for concern, but the annual growth of 5.70% indicates that public confidence in banking remains high. The non-performing loan (NPL) ratio, which experienced a slight increase every month but decreased on an annual basis, shows that, although challenges remain, banks have succeeded in managing risk well. However, it should be noted that overall, the banking profitability aspect experienced a slight decline, both in ROA and NIM. This decline needs to be a focus to ensure banking sustainability and competitiveness in the future.

In terms of capital, despite a monthly decline in the capital adequacy ratio (CAR), annual growth of 27.54% shows a solid foundation. The increasing loan-to-deposit ratio (LDR) reflects dynamic banking activity but needs to be monitored to avoid potential imbalances. Thus, while the data shows challenges and declines in some indicators, continued annual growth, and sound risk management efforts provide a positive foundation. Further analysis and in-depth data exploration can provide additional insights to formulate effective strategies in facing the ever-changing dynamics of the banking industry.

### 4.2 Problems

Based on data from the Monthly Board of Governors Meeting (RDG) of the Financial Services Authority (OJK) in early January 2024, several problems can be identified in the Indonesian banking industry. First, there was a monthly decline in credit distribution of 0.46%, which could be an indication of uncertainty or obstacles in providing credit during that period. Second, although there was a decrease in Covid-19 restructuring credit which was in line with improving economic conditions, the decrease reached 5.48% every month. This may indicate that even though general conditions are improving, there are still certain sectors or business actors who are experiencing difficulties in recovering.

Third, there was a monthly contraction in banking Third Party Funds (DPK) collections of 0.5%, which could reflect a decline in public confidence in saving and using banking products during that month. Fourth, there was a slight increase in the monthly non-performing loan (NPL) ratio, which, although still below the maximum limit set by Bank Indonesia, is still a concern because it could be an indication of problematic credit.

Fifth, the banking profitability aspect experienced a slight decline in terms of both return on assets (ROA) and net interest margin (NIM). This can become a problem if not addressed immediately because it can affect banking competitiveness. Sixth, the capital adequacy ratio (CAR) experienced a monthly decline, although it was still within safe limits. However, it needs to be monitored so that there is no significant decline that could threaten financial stability.

Finally, an increase in the loan-to-deposit ratio (LDR) needs to be paid attention to, because it can indicate a higher level of risk in liquidity management. By identifying these problems, stakeholders, including regulators and banking industry players, can work together to formulate appropriate strategies and policies to overcome these challenges to maintain the stability and growth of the banking sector.

### 4.3 Solution

Based on the problems identified, several solutions that can be proposed to improve the performance of the Indonesian banking industry are as follows:

- **Credit Stimulus:** The government and banking authorities can design a special credit stimulus for sectors experiencing difficulties, to encourage increased credit distribution.
- **Monitoring Specific Sectors:** OJK can carry out special monitoring of sectors or business actors that are still experiencing recovery difficulties so that steps can be taken more proactively.
- **Increasing Financial Education:** Carrying out financial education campaigns to increase public trust in banking products and encourage the collection of Third Party Funds.
- **More Effective Risk Management:** Banks can improve their risk management, especially regarding non-performing loans, to prevent significant escalation.
- **Profitability Optimization:** Banks can evaluate and optimize their business strategies to increase profitability, including possibly reviewing interest rates and operational costs.
- **Providing Sufficient Liquidity:** Ensure the provision of sufficient liquidity to maintain financial stability by monitoring LDR and taking necessary steps.
- **Capital Strengthening:** Proactively strengthening capital to maintain capital adequacy levels and ensure banking sector stability.
- **Stakeholder Collaboration:** Government, banking authorities and industry players can work together to identify and solve common problems and design policies that support the growth of the banking sector.

Implementing these solutions requires close cooperation between the government, regulators, and banking industry players to achieve optimal results and maintain the stability and growth of the Indonesian banking sector.

Based on an analysis of the annual growth of the banking sector, especially focusing on credit distribution and financial performance, it can be seen that although there is a monthly decline in credit distribution, annual growth still reflects the resilience of this sector. Credit distribution showed a contraction of 0.46% every month, but annual growth of 11.83% gave a positive picture, especially with the significant contribution from the increase in the number of Working Capital Loans. State-owned banks were the main driver with credit growth of 14.44% on an annual basis, reflecting their strategic role in supporting economic activity.

In addition, the financial performance of the banking sector is reflected in the decline in COVID-19 restructuring credit of 5.48% every month and 42.35% on an annual basis. This reflects the national economic recovery after the COVID-19 pandemic, which in turn has a positive impact on the quality of the credit portfolio. Even though Third Party Funds (DPK) collections experienced a monthly contraction of 0.5%, annual growth of

5.70% shows the public's confidence in the banking sector as a safe and reliable financial institution.

However, it should be noted that the non-performing loan (NPL) ratio experienced a slight increase every month, although it experienced a decline on an annual basis. This indicates the need for further monitoring of banking asset quality. In terms of profitability, although there is a slight decline in return on assets (ROA) and net interest margin (NIM), these figures are still within an acceptable range. The increase in the loan-to-deposit ratio (LDR) both on a monthly and annual basis reflects an aggressive credit distribution policy, which needs to be balanced with careful risk management.

Identification of risk factors that may affect financial sector stability is critical to understanding potential challenges and taking appropriate preventive measures. In this context, some risk factors to consider involve changes in asset quality and capital adequacy levels:

- **Increase in Non-Performing Loans (NPL) Ratio:** One of the main risks is the potential for an increase in the non-performing loans (NPL) ratio. Factors such as a borrower's inability to repay a loan, a downturn in economic conditions, or changes in industry trends may contribute to an increase in NPLs. Identification of sectors or segments that are vulnerable to non-performing loans can help formulate mitigation strategies.
- **Changes in Capital Adequacy Ratio (CAR):** Capital adequacy ratio (CAR) reflects a bank's ability to withstand losses. Changes in regulations, decline in asset values, or unbalanced credit growth can affect CAR. It is important to identify these factors and ensure that banks maintain adequate levels of capital adequacy.
- **Exposure to Market and Liquidity Risk:** External factors such as market fluctuations and liquidity conditions can affect the stability of the financial sector. Identifying the level of exposure to market and liquidity risks and implementing effective risk management strategies is key to maintaining stability.
- **Effect of Changes in Interest Rates:** Changes in interest rates can have a significant impact on the financial health of the banking sector. Identifying risks associated with interest rate fluctuations and managing them is crucial to avoid potential financial instability.
- **Global and Local Economic Uncertainty:** Economic uncertainty both globally and locally can be a significant risk factor. Changes in economic conditions, including the impact of health crises such as pandemics, need to be identified to prepare effective response measures.

A thorough analysis of these risk factors can provide a foundation for the development of a holistic risk management strategy, mitigating the potential negative impact on financial sector stability.

Useful information from the results of banking industry performance analysis, especially those covering credit distribution, collection of Third Party Funds (DPK), and key financial ratios, can provide in-depth insight for stakeholders. The following is information that can support strategic decision-making:

Government and Regulators:

- **Monetary Policy:** Analysis of credit growth and liquidity conditions can help governments and regulators design monetary policies that suit market conditions.
- **Supervision and Compliance:** Information about non-performing loans and capital adequacy is important in monitoring and enforcing compliance. Regulators can use this data to identify banks that may require special attention.

Investors:

- **Investment Decisions:** Investors can use information about banking financial performance to make informed investment decisions and understand potential risks and returns.
- **Portfolio Diversification:** Data regarding the banking sector can help investors in planning the diversification of their portfolio, reducing risks, and increasing profit potential.

Industry Players:

- **Business Strategy:** Banks can use data on lending and deposit growth to inform their business strategy, including focusing on credit segments that are performing well.

- Risk Management: Information about risks, such as NPL and capital adequacy ratio, helps banks manage risk more effectively.

#### Community and Customers:

- Public Trust: Data regarding the health of the banking industry can influence public trust in the financial sector, which in turn can influence consumer decisions regarding banking.

#### Personal Decision Support:

- Borrower Decisions: Prospective borrowers can use information about lending trends to make more informed decisions about loan applications.

This information, when presented clearly and accessible, can be a powerful tool to support strategic decision-making for all stakeholders in the banking industry.

## 5. CONCLUSION

Analysis of the performance of the Indonesian banking industry in January 2024 shows an interesting combination of dynamics. Even though there was a monthly decline in credit disbursement and collection of Third Party Funds (DPK), annual growth remained positive reflecting the resilience of the banking sector. Several important aspects can be drawn from this data:

**Positive Annual Growth:** Despite a monthly decline in lending and deposits, positive annual growth, particularly driven by working capital loans, indicates that the banking sector can still develop despite being faced with global uncertainty.

- Decline in Covid-19 Restructuring Credit: The significant decline in Covid-19 restructuring credit reflects the post-pandemic national economic recovery, which in turn can contribute to the stability of the banking sector.
- Increased Capital Resilience: Although the capital adequacy ratio (CAR) experienced a monthly decline, annual growth shows good capital resilience. This provides confidence regarding the banking sector's ability to face potential risks in the future.
- Challenges in Profitability: Although the banking sector still recorded a positive return on assets (ROA) and net interest margin (NIM), there was a decline from the previous period. This indicates that there is pressure to achieve optimal levels of profitability.
- Increase in Monthly Credit Risk: Although the non-performing loan (NPL) ratio experienced a slight increase every month, there was a decrease on an annual basis. However, it is necessary to remain vigilant and identify risk factors that could affect the stability of the financial sector.

Overall, this information provides a better understanding of the dynamics of the banking industry in Indonesia during the relevant period. In facing future challenges and opportunities, stakeholders, including governments, regulators, investors, and industry players, can use this analysis as a basis for making better strategic decisions.

This study has limitations, including time constraints and data limitations. Therefore, further research is recommended to involve multi-period analysis, additional variables, and in-depth case studies. It is hoped that these recommendations will increase understanding of the dynamics of the Indonesian banking sector and provide a greater contribution to strategic decision-making for stakeholders.

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