

ABSTRACT

This study investigates the determinants of the Capital Adequacy Ratio (CAR) of Rural Banks (Bank Perkreditan Rakyat/BPR) in the Java–Bali region during the period 2019Q4–2024Q4. The analysis focuses on both internal bank characteristics and external conditions, particularly the impact of the Covid-19 pandemic, to understand the factors influencing capital resilience in the BPR industry.

The study employs a balanced panel dataset of 180 BPRs and applies the Random Effect Model (REM). The explanatory variables include Covid-19, regional characteristics (Bali dummy), profitability (ROA), operational efficiency (BOPO), bank size (log of total assets), and market concentration (log HHI). Model selection and estimation follow standard panel data procedures.

The results indicate that Covid-19 negatively affects CAR, while profitability contributes positively to capital adequacy. Operational inefficiency and larger bank size are associated with lower CAR, whereas regional location and market concentration do not show significant effects. Overall, the findings suggest that internal financial performance plays a dominant role in strengthening BPR capital buffers, while external shocks such as the Covid-19 pandemic remain a critical risk factor.

Keywords: *Capital Adequacy Ratio, Rural Banks, Covid-19, Profitability, Efficiency, Bank Size, Market Concentration, Random Effect Model.*

