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The Effect of RGEC on Financial Distress in Rural Banks – Conventional in The Central Kalimantan Region

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Abstract

This study aims to analyze the effect of the ratio in the assessment of the health level of banks based on RGEC (Risk Profile, Good Corporate Govermance, Earnings, Capital) on the possibility of financial distress in Conventional Rural Banks in the Central Kalimantan Province region in 2019 - 2023, The population in this study were all Conventional BPRs operating in Central Kalimantan, with the sample used being the entire population. Data analysis using the Multiple Regression Analysis method, the results showed that: The NPL (Non Performing Loan) ratio has a significant negative effect on BPR financial distress so that the lower the NPL, the less likely the BPR will experience Financial Distress. The implementation of GCG has a significant negative effect on Financial distress, ROA has a significant negative effect on Financial destress, the higher the profitability of BPR reflected in ROA, the less likely it is to experience Financial Destress. CAR ratio has a significant negative effect on financial distress, because the higher the capital adequacy of BPR, the less likely it is to experience financial distress. The Loan Deposit Ratio has a Significant Positive effect on financial distress, because the higher the LDR, the more likely it is that the BPR will experience Financial Distress. Overall, the results of this study indicate that the ratio in the RGEC-based bank health assessment has a significant influence on the possibility of financial distress in Conventional Rural Banks in the Central Kalimantan Province region.

Keywords: *RGEC, Earning, Capital and Financial Destress*

INTRODUCTION

LAW NO. 14 of 1967 banks are financial institutions that have the task and function of collecting funds from the public and channeling them back to the community in the form of loans / credit, along with the growing economy in the community and increasing needs, banks play a very important role in supporting the community's economy, especially with the existence of BPR Rural Banks that stand in Indonesia, but there are also BPRs that have had their operational licenses revoked due to mismanagement and heed the provisions that have been issued by the banking supervisory institution, namely the OJK (Financial Services Authority). Thus the existence of BPR in each region must really carry out its functions properly and correctly, in accordance with the healthy rules of the Bank which is managed by the management with due regard to the level of Bank health, because the benchmark in bank management is inseparable from the extent of the health of the bank that has been managed.

With the health level of the bank, the stockholders will know the condition of the financial institution, according to the explanation of bank Indonesia regulation No. 13/1 / PBI / 2011 concerning the assessment of the health level of banks article 2 paragraph (1), explaining that the health of banks must be maintained and or improved so that public confidence in banks can be maintained, other functions with the health level of the bank can be used as material for evaluating the conditions and problems faced by the Bank and can determine the follow-up to overcome weaknesses in the form of corrective action by banks and supervision and guidance by the Financial Services Authority (OJK). The need to anticipate and maintain the health level of banks to anticipate the emergence of Financial Destress, this issue is a risk that can arise and must be restored immediately (Haris et al., 2022).

Financial distress is a situation where a company can experience financial difficulties and can face the threat of bankruptcy. This happens because the company is unable to manage its finances properly, resulting in losses (Tyas & Sari, 2021). The main cause of the company's financial difficulties is due to the incidence of operating losses caused by the company's internal financial performance, while external factors of financial distress are global macroeconomic factors from outside the company that can affect the onset of financial distress either directly or indirectly (Emrinaldi, 2017), the phenomenon applies to all types of companies, including Bank Perkredita Rakyat (BPR). According to Budisantoso (2017), a bank's financial institution is the ability of a bank to carry out normal operational activities and be able to fulfill all its obligations properly, in accordance with the provisions of the legislation NO. 10 of 1998 concerning banking, which is in accordance with the provisions of the law. 10 of 1998 concerning banking, in which banks are required to maintain their health level in accordance with capital adequacy, asset quality, management quality, liquidity, profitability and solvency as well as other aspects related to the bank's business and must carry out business activities in accordance with the principle of prudence in order to maintain the company, so that the achievement of bank performance can be maximized, one of the methods used is to use the RGEC method (Risk Profile (risk profile), Good Corporate Governance (GCG), Earnin (Rentability), and Capital (Capital), (Marginningsih, 2018).

Some studies that support the re-study of the health level of banks using the RGEC method are Novanda (2015) examining the health level of banks at PT. Bank Mandiri, Tbk for the period 2011-2013, Risk Profile in the aspect of credit risk measured by NPL, market risk aspects measured by irr ratio and liquidity aspects measured by LDR, LAR and CR ratios, while Good Corporate Governance consists of 11 aspects of assessment whose total composite value is categorized as good. Erning is measured using the ROA and NIM ratios, Capital with the CAR Ratio, the results showed that the condition of PT. Bank mandiri, Tbk is generally healthy, although there are several aspects of assessment that are still at a fairly good level of health.Santi (2015) examines the comparison of the health level of BNI Syariah banks using the CAMELS and RGEC methods in the 2012-2013 period, the CAMELS method is measured using the CAR, NPL, ROA, ROE, NIM, BOPO, FDR ratios, while the RGEC method is measured using the CAMELS method, the ratio of NPF, LR, IRR, DR, FACR, ROA, ROES, NIM, BOPO, CAR the results of this study indicate that the Bank's health predicate is in accordance with the sharia bank Indonesia standard when using the Camels and RGEC methods, this shows that the bank's health predicate is in accordance with the provisions of bank Indonesia. Heidy (2014) examines the analysis of the health level of banks using the RGEC approach (Risk Prodile, Good Corporate Governance, Earning, Capital) at Bank Rakyat Indonesia, Tbk in the 2011-2013 period, the risk profile factor is assessed through NPL, IRR, LDR, LAR, CR, the good corporate governance factor is very good, the earning factor or profitability assessment consists of ROA and NIM, while Capital is measured using the CAR ratio. In connection with the background and problem formulation, the purpose of this study is how banks can predict symptoms of financial distress using the RGEC approach (Risk Profile, Good Corporate Governance, Earning, Capital) Case Study of Perumda Bank Perkreditan Rakyat in 2019 - 2023.

Financial statements are the main aspect to analyze the occurrence of financial distress, because it is a process of reporting all records of the company's operations. according to Iskandar (2007) financial statements are a process of financial statements. In the financial statements there are five reports that are usually done by the company, namely, balance sheet, profit and loss, cash flow statement, statement of changes in capital and notes to other financial statements. Financial reports are used by various parties both internal to the company and external to the company, which are used to make company decisions in carrying out investment activities and company development. The initial symptoms of Financial Distress will immediately be recognized by the financial statements that have been published by the bank, especially the profit and loss statement which provides information on whether the company is profitable or not. According to Plat and Plat (2002) that the usefulness of financial statements to see symptoms of experiencing Financial Distress are: a). Accelerate management action in preventing the company from going bankrupt b). management will quickly take action / decision to take ofer or marger so that the company will be able to settle debts and manage the company properly, c) earlier provide an early warning of bankruptcy bank. So it can be concluded that the financial statements have a vital position because all financial information will show how the company is performing.

According to (Defrio & Meiranto, 2013, Pramana and Artini, 2016; Riadi et al, 2016) that the latest bank Indonesia regulations state that there are assessment factors, namely, Risk Profile, Good Corporate Governance, Earnings, Capital, all of which are called RGEC, and this can be said to be a summary of CAMELS which is then summarized in RGEC (Risk Profile, Good Corporate Governance, Earning, Capital).

After deepening the background above, the researcher is interested in taking the theme **"THE EFFECT OF RGEC ON FINANCIAL DESTRESS"** *(Case study at Conventional BPR* **Rural** *Banks in Central Kalimantan Province) for the period 2019 to 2023.*

Previous Research.

Previous research has been conducted, including:

Gebriele (2015), this researcher conducted research related to the financial condition of Commercial banks using the Altman Z-score model (ZETA Analysis) in estimating determining difficulties using muli panel data from 2002 / 2003 to 2011 / 2012 on six private commercial banks in Ecthiopia using panel data regression, this researcher analyzed bank-specific factors that affect the company's financial difficulties.

Sadida's research (2016) this study aims to determine the effect of risk profile, good corporate governance, namely lana and capital on the condition of financial difficulties of banking companies listed on the Indonesian stock exchange for the period 2014-2016, using logistic regression analysis tools as a research method, and the results of the study indicate that the risk profile, Non Performing Loan (NPL) and Loan Deposit Ratio (LDR), and good corporate governance have no effect on financial distress conditions, but profit (NIM) has a significant negative effect, while ROA has no effect, Capital (CAR) has a significant negative effect on financial distress conditions, and independent variables in explaining financial conditions by 8%.

Research conducted by Andari and Wiksuana (2017), the study aims to determine the significance of the influence of LDR, NPL, ROA, good corporate governance and CAR on the financial difficulties of banking companies listed on the Indonesia Effek Exchange, using logistic regression analysis tools, the results achieved in this study are that Roa has a significant negative effect on financial difficulties.

Research conducted by Maisaroh et al. (2018) investigated

The effect of various financial ratios on the condition of financial distress in Islamic banks in Indonesia. The financial ratios analyzed include, CAR Capital Adequacy Ratio, Non Performing Financing (NPF), Net Interest margin (NIM), Retern On Asset (ROA), Operating Costs and operating income (BOPO), Retern On Equety (ROE) and Loan Deposit ratio (LDR), this research was conducted on 11 Islamic banks in Indonesia, using secondary data from bank financial reports, during the period 2011-2016, the analysis method used is multiple regression analysis. The results of the analysis have been carried out that the financial ratios CAR, NPF, BOPO and LDR have an influence on the financial distress conditions of Islamic banks in Indonesia, while the financial ratios NIM, ROA and ROE were not found to have a significant influence on the financial distress conditions of banks.

Research Hypothesis:

The Effect of Rgec on Financial Destress *(Case study at Conventional BPR* **Rural** *Banks in Central Kalimantan Province) for the period 2019 to 2023.*

Gebreslassie's research (2015) has provided empirical evidence that NPL performing Loans affect financial difficulties.

Based on the above, the researcher states that the risk profile as measured by the NPL ratio has a significant effect on financial difficulties at Marunting Sejahtera Rural Credit Bank Pangkalan Bun, related to the explanation above, we can convey this hypothesis:

H1: NPL (Non Performing Loans) has a significant effect on financial distress.

The NPL ratio (Non Performing Loans) is a ratio that describes the bank's ability to manage its credit, the bank must maintain the level of credit that is not much problematic, because it will interpret the productive assets that are problematic, with a high NPL ratio and indicates that the bank faces higher credit risk, can cause the bank to experience more problems and provide negative signals to external parties which can ultimately reduce the credibility of the bank, (S. Kuncoro & Agustina 2017). Gebrreslassie's research (2015) states that LDR affects Financial Distress, so from the description above the hypothesis of this study:

H2: (LDR) Loan Deposit Ratio has a negative effect on Financial Destress.

The effect of (LDR) Loan Deposit Ratio on financial distress at *Conventional BPR Rural Banks in Central Kalimantan Province for the period 2019 to 2023.*

LDR (Loan Deposit Ratio) is a ratio that shows the bank's ability to meet credit demand through third party funds collected, the higher the LDR the more third party funds are channeled in the form of credit, financial distress is a condition where the company is experiencing financial difficulties that can lead to bankruptcy if not resolved immediately, one of the indicators is a deteriorating financial ratio. Some researchers have stated that a high LDR can also increase the risk of financial distress in banks, because when the LDR is high the bank has a large portion of credit and vice versa, from the conclusion above, there is a negative relationship between LDR and Financial distress, because both high and low LDR ratios can increase the risk of financial distress.

There are five main principles that must be applied in corporate governance including in banks, namely Transparency, accountability, responsibility, fairness and independence, if all can be applied then it is believed that the bank has good governance. Banks with good governance tend to have good management, superior financial performance, because good governance will provide positive signals for internal and external parties to reduce information asymmetry, and will create structured supervision and, The more effective the application of the principles of corporate governance in the bank, the bank will be in better monitoring conditions, so that it will improve bank performance and reduce the risk of financial distress.

According to the research of S. Kuncoro & Agustina (2017) has proven that GCG has a negative effect on Financial destress, so related to the explanation above, the third hypothesis of this study is.

H3 : Good Corporate Governance has a negative effect on financial distress

The effect of Earning on financial distress *in Conventional BPR Rural Banks in Central Kalimantan Province) for the period 2019 to 2023.*

ROA (Return on Asset) is one of the profitability ratios that can be used to predict the possibility of Financial Distress at BPR Marunting Sejahtera, the higher the ROA level indicates bank management. In generating profits from assets owned, the less likely the bank will experience financial difficulties, this is because high profits can provide positive signals to internal and external parties, so as to increase company value.

According to research by Gebreslassie (2015) and Andari & Wicaksana (2017) Retern On ROA assets have a negative effect on financial Destress, so from the description above, the 4th research hypothesis can be: ROA has a negative effect on Financial destress.

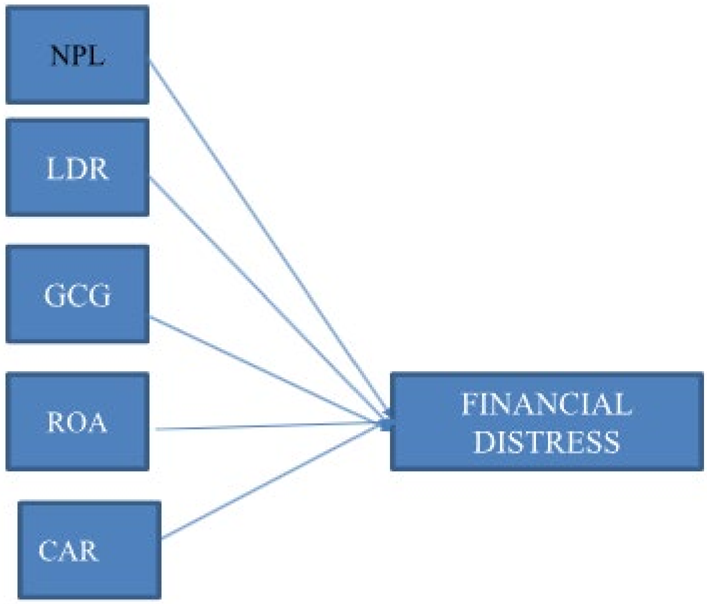
The results of research by Gebreslassie (2015) and Andari & Wiksuana (2017) prove that return on assets has a negative effect on financial distress. Based on the description above, the fourth hypothesis of this study is

H4 : ROA (Return On Asset) has a negative effect on financial distress

Finacial distress has affected Capital in *Conventional BPR Rural Banks in Central Kalimantan Province) for the period 2019 to 2023.*

The CAR ratio is an important indicator to measure the adequacy of the Bank's capital in supporting risky assets, such as loans disbursed, CAR shows the extent to which the bank's capital can cover the decline in asset value, because the higher the CAR, the better the health of the bank because the risk of financial difficulties is smaller. Thus, a high level of capital also allows the bank to keep more cash reserves, so that it can provide credit opportunities and increase bank profits. Thus a high CAR ratio reflects the healthy condition of the bank, and gives a good signal to external parties. Previous research conducted by S. Kuncoro & Agustina (2017) and Sadida (2016) Capital Adequacy Ratio (CAR) has a negative effect on financial distress, so the fifth hypothesis is:

H5 : Capital Adequacy Ratio (CAR) has a negative effect on financial distress, Framework:



METHOD

Population And Sample

Population and sample objects in this study are in the province of Central Kalimantan, namely Rural Banks located in 3 districts / cities. The total population is entirely sampled, as for other provisions in the object of this research are: a). Banks that are still registered with Bank Indonesia and the Financial Services Authority (OJK) for the period 2019 to 2023, b). Data is taken from publication reports that have been issued by the Bank, through the Financial Services Authority Website page.

Operational Variables and Research Variables

Financial Destress according to Plat and Plat in Fahmi (2013: 158) is defined as a stage of decline in financial conditions that occurs before bankruptcy, or liquidation so that from the above theory it can be concluded that financial destress is an entity that is experiencing problems with declining financial conditions which are usually temporary, but can develop worse if the condition is not resolved quickly it will result in bankruptcy. In this study, the analysis tool using the Bankometer model (S-Score) will be more appropriate than the Altman Z-Score model to predict bank financial distress, Bankometer uses a multivarat formula specifically applied to the banking environment so that it is more accurate in assessing the risk of bank failure.

S - Score = 1.5 (CA) + 1.2 (EA) + 3.5 (CAR) + 0.6 (NPL) + 0.3 (CIR) + 0.5 (LA).
S = Solvency
Explanation:
CA = Capital to Assets (≥4%)
EA = Equity to assets (≥2%)
CAR = Capital Adequacy Ratio (≥8%)

NPL = Non Performeng Loan (≤5%)
CI= Cost to Income Ratio to revenue (≤40%)
LA= Loan to asset ratio (≤65%)

Risk Profile

This is a measurement of the bank's risk profile, including an assessment of its inherent risks and the quality of its risk management practices. This assessment is important to ensure that the bank can manage the risks it faces properly. Risk profile is found in :

a. Credit Risk, this risk arises because the debtor does not make payments / obligations until it is paid in full.
   Can be calculated with :
   $$NPL = \frac{\text{Non-performing loans}}{\text{Total Credit}} \times 100\%$$
b. Liquidity risk is a risk used to see the bank's ability to fulfill its short-term obligations that have matured.
   Can be calculated with :
   $$LDR = \frac{\text{Total Loans}}{\text{Third party funds}} \times 100\%$$
c. Good Corporate Governance
   Good Corporate Governance is a system used to direct and control the company's business activities, GCG indicators refer to Bank Indonesia Regulation (PBI) No. 13/1 / PBI / 2011 concerning the assessment of the health level of Banks (General), so that in measuring the application of GCG in Indonesian banking refers to the assessment matrix set by Bank Indonesia through regulations and circulars.
d. Earning
   Is the ability of the Bank's financial institutions to generate profits, in accordance with Bank Indonesia Regulation No. 13/1/PBI/201, the basis of Earning comes from ROA, with the following formula:
   $$ROA = \frac{\text{Profit after Tax}}{\text{Total Assets}} \times 100\%$$
e. Capital
   Capital is the capital owned by the company (Bank) in measuring Capital using the formula:
   $$CAR = \frac{\text{Capital}}{\text{RWA}} \times 100\%$$

Data Analysis Method

In analyzing the data, the method used is the Multiple Linear Regression method, because it involves more than one independent variable, and one dependent variable. With the formula method:

$$FD = \alpha + \beta_1 NPL + \beta 2LDR + \beta 3GCG + \beta 4ROA + \beta 5CAR + \varepsilon$$

Description:

α = Constant
FD= Financial Distress
NPL= Non Performing Loans
LDR= Loan to Deposit Ratio
ROA= Return On Asset
CAR= Capital Adequacy Ratio
ε = Error

RESULTS AND DISCUSSION

The results of the analysis that has been carried out are as follows:

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.238	.791		3.223	.003
NPL	5.641	1.980	.243	2.907	.006
LDR	-3.332	.765	-.362	-	.000
	.528	.252	.182	4.823	.015
GCG	6.542	2.421	.221	2.558	.003
ROA CAR	2.651	.698	.276	3.163	.001
				3.701	

Source: SPSS Data

From the analysis table above, the regression equation model developed is :

FD = 3.238 + 5.641NPL - 3.332LDR + 0.528GCG + 6.542ROA + 2.651CAR

The results of testing the SPSS output data that has been carried out above are as follows:

First Hypothesis Test Results:

1. The first hypothesis in this study states that NPL (Non Performing Loan) has a positive effect on financial distress.
2. From the test results, it is obtained that the NPL relationship meter on the possibility of Financial Destress is (5.641) with a significance value of 0.006.
3. At a significant level of α = 5%, the regression coefficient is significant because the p-value of 0.006 is smaller than 0.05.
4. NPL (Non Performing Loan) has a positive effect on the S-score value, meaning that NPL has a negative effect on the possibility of financial distress.
5. Thus, the first hypothesis in this study cannot be supported because the test results show that NPL has a negative effect on the possibility of financial distress.

Second Hypothesis Test Results:

1. The second hypothesis in this study states that the Loand Deposit Ratio (LDR) has a negative effect on Financial Destress.
2. The test results obtained the LDR relationship parameter to the possibility of Distress by
3. From the test results, it is obtained that the LDR relationship parameter to the possibility of financial distress is -3.332 with a significance value of 0.000.
4. At the 5% coefficient level (($\alpha = 0.05$), the regression coefficient is negative on the S-Score value, which means that LDR, positively affects the likelihood of financial distress.
5. In this way, the second hypothesis in this study cannot be supported, because the test results show that LDR has a positive effect on the possibility of financial distress, which is contrary to the initial hypothesis which states that LDR has a negative effect on financial distress.

So it can be concluded that the results of the second hypothesis cannot be supported because the test results show that LDR has a positive effect on the possibility of financial distress.

The results of the third hypothesis test:

1. The results of the third hypothesis in this study state that Good Corporate (GCG) has a negative effect on financial distress.
2. From the test results, it is obtained that the GCG relationship parameter on the possibility of financial distress is 0.528 with a significant value of 0.000.
3. At the 5% level, the regression coefficient is significant because the p-value (0.000) is smaller than 0.05.
4. The test results show that the GCG composite rating has a positive effect on the S-Scor value, which means that GCG has a negative effect on the possibility of financial distress.
   Thus, this third hypothesis can be supported because the test results show that GCG has a negative effect on the possibility of financial distress, in accordance with the initial hypothesis. So that this third hypothesis test can be supported.

Fourth Hypothesis Test Results

1. Stating that in this study retern on Asset (ROA) has a negative effect on Financial Destress.
2. The parameterized relationship between ROA and the likelihood of Financial destress of, 6.542 with a significant value of 0.002.
3. At the 5% significant level, the regression coefficient is significant because the p-value (0.002) is smaller than 0.05.
4. The test results show that ROA has a positive effect on the S-Score value, meaning that ROA has a negative effect on the possibility of financial distress.

5. In testing this fourth hypothesis, it can be supported because the test results show that ROA has a negative effect on the possibility of Financial Destres, in accordance with the initial hypothesis, so that the fourth hypothesis can be supported.

Fifth Hypothesis Test Results

1. The results of this fifth hypothesis test state that the Capital Adequacy Ratio (CAR) has a negative effect on financial distress.
2. There is a CAR relationship parameter to the possibility of Financial Destress of, 2.651 with a significant value of 0.001.
3. At the 5% significance level, the regression coefficient is significant because the p-value (0.001) is smaller than 0.05.
4. The test results show that CAR has a positive effect on the S-Score value, meaning that CAR has a negative effect on the possibility of Financial Destress.
5. So that in this study the fifth hypothesis can be supported, because the test results show that CAR has a negative effect on Financial destress.

DISCUSSION OF RESEARCH RESULTS

1. Based on the discussion of research that has been conducted on the effect of NPL (Non Performing Loan) on financial distress at Regional Government-Owned BPRs in Central Kalimantan Regianla, we can convey the following:

   The results of this study indicate that NPL has a significant negative effect on Financial Derstress at (BPR) Rural Banks in the Central Kalimantan Region, meaning that the higher the NPL will actually reduce Financial Destress, this is not in accordance with the theory which states that the higher the NPL, the greater the possibility of banks experiencing losses and will have an impact on reducing profit achievement and profitability. It's just that high NPLs will make it difficult for banks to extend credit, because high NPLs will increase costs and the potential for non-performing loans is greater, so that banks will bear losses in their operational activities and loan interest income will decrease, finally Financial Destyres will increase.

   High NPLs in a bank are caused by less careful management and bank administrators in carrying out the credit granting process, eventually causing an increase in the number of non-performing loans, increasing non-performing loans which are part of total assets will affect the level of Bank income. The reason why the results of the analysis show that NPL has a negative effect in predicting the profitability of financial distress is because credit is only one of the bank's assets.

   aspect of the Bank's total assets.

   Earning assets that are the source of bank income are not only

Although high NPLs can increase non-performing loans and affect bank income, as long as banks are able to increase total earning assets, an increase in NPLs will not increase the probability of financial distress.

From the description above, Gebreslassie's research (2015) proves that NPL affects Financial Destress.

2. Based on the discussion of research that has been conducted on the effect of LDA (Lon Deposite Ratio) on financial distress at (BPR) Rural Banks in the Central Kalimantan Region, we can convey the following:

   The results showed that LDR has a significant positive effect on financial distress at (BPR) Rural Banks in the Central Kalimantan Region, meaning that the higher the LDR, the higher the probability of BPR experiencing Financial Distress, this is not in accordance with the general statement that a high LDR ratio indicates the bank's ability to manage low liquidity and low bank health levels, so that it can increase the possibility of banks experiencing financial difficulties. the results of research conducted by Gebrelassie (2015) suggest that LDR has an effect on Financial Distress. so it can be concluded that although in general a high LDR ratio is considered to increase the risk of financial distress, it can also increase the risk of financial distress.

   The results of research on BPRs in the Central Kalimantan region show the higher the LDR, the higher the probability of BPR experiencing financial distress.

   From the description above, Gebreslassie's research (2015) proves that LDR has an effect on Financial Destress.

3. Based on the discussion of research that has been conducted on the effect of GCG (Good Corporate Governance) on financial distress at (BPR) Rural Banks in the Central Kalimantan Region, we can convey the following:

   Good Corporate Governance (GCG) is a bank governance that applies the principles of openness, accountability, responsibility, independence and bank operations in order to seek profit. With the application of good GCG principles, it can reduce the possibility that the bank will experience financial difficulties or financial distress, this is because GCG can improve the quality of bank management so as to minimize risks that can cause financial distress.

   Thus the results of this study indicate that the higher the implementation of GCG in BPR, the lower the Probability of the BPR, and conversely the lower the probability of BPR, the BPR will experience Financial Destress.

   From the description above, S. Kuncoro & Agustin's research proves that GCG has a negative effect on Financial Destress.

4. Based on the discussion of the research that has been carried out regarding the effect of Earning on financial distress at (BPR) Rural Banks in Indonesia.

   Central Kalimantan region, we can convey the following, The results showed that Retern On Asset (ROA) has a significant negative effect on the possibility of Financial destress on BPR in Central Kalimantan Province, this means that the higher the ROA, the lower the possibility of banks experiencing financial difficulties, because ROA is a measure of the ability of Bank management to earn overall profits, when high ROA indicates that the bank is able to generate large profits and use its assets effectively, with high profits it will provide a positive signal for internal and external parties so as to increase company value and minimize the risk of Financial Destress.

From the description above, Gebreslassie's research (2015) and Asndri & Wilksuana (2017) prove that ROA has a negative effect on Financial Destress.

5. Based on the discussion of research that has been conducted on the effect of Capital on financial distress at (BPR) Rural Banks in the Central Kalimantan Region, we can convey the following,

   The results showed that CAR had a significant negative effect on financial distress in BPR, meaning that the higher the CAR, the lower the Bank experienced financial difficulties. CAR is a bank performance ratio that measures the adequacy of capital owned to support risky assets, such as loans. With a high CAR condition, it indicates the good health of the bank, because the increase in CAR shows low non-performing loans, the higher the capital, the higher the cash reserves, the easier it will be to extend credit and generate large profits.

   The results of this study prove that CAR has a negative effect on Financial Destress (S. Kuncoro & Agustina (2017 0 and saddida (2016).

CONCLUSION AND SUGGESTIONS

Conclusion:

From the research results, it can be concluded that:

1. Non Performing Loan (NPL) has a significant negative effect on Financial Distress, in Conventional Rural Banks (BPR) in Central Kalimantan Region, meaning that the higher the NPL the lower the level of financial distress, this may not be in accordance with expectations in general, that NPL is considered to increase the risk of Financial Distress, this needs to be reviewed whether there are other factors that affect this relationship.
2. Loan Deposit Ratio (LDR) has a Significant Positive effect on Financial Distress in Conventional Rural Banks (BPR) in Central Kalimantan Region, this means that the higher the LDR, the higher the level of Distress in BPR, because high LDR will indicate low Liquidity so that it can increase the Risk of Financial Distress.
3. Good Corporate Governance (GCG) has a significant negative effect on Financial destress, this shows that the better the GCG implementation, the more likely it is to cause financial distress. The lower the level of Financial Distress, because with good governance Good corporate governance can enhance the stability and resilience of BPRs

4. Return on Asset (ROA) has a significant negative effect on Financial Destress, the higher the ROA, the lower the Financial Destress, a high ROA indicates good profitability which can reduce the risk of Financial distress.
5. Capital Adequacy Ratio (CAR) has a significant negative effect on Financial Distress, this means that the higher the CAR, the lower the level of Financial Distress, and high CAR reflects strong capital that can increase risk resistance.

This research is expected to help BPR management in managing and mitigating Financial Distress Risk.

Advice

1. Expand the population and sample, it is better if the population is taken in the Kaliantan Regional area (Se-Kalimantan), this is done to ensure that the situation in the Kalimantan region of BPR development can compete or not with other financial institutions.
2. As a study and consideration for local governments and supervisory institutions (OJK), about the existence of the People's Credit Union, because currently the BPR is not widely recognized in the Kalimantan area.

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