



When a Regional Bank Thrived: A Resilience Case Study of PT Bank Jawa Timur During and After COVID-19

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ABSTRACT

While most Indonesian banks experienced declining profitability and rising credit risk during the COVID-19 pandemic, a regional development bank—PT Bank Jawa Timur—recorded a sharp increase in Return on Assets (ROA) from 2.89% in 2019 to 7.60% in 2021, alongside a dramatic reduction in its Operational Costs to Income ratio (BOPO) from 72.32% to 34.32%. This study investigates the organizational resilience mechanisms that enabled this positive deviance. Using a qualitative comparative case study design, we analyze quarterly financial reports (2018–2022) and triangulate findings with existing literature on crisis management and digital transformation. The results reveal three key resilience drivers: (1) accelerated digital banking adoption (JConnect mobile platform), (2) proactive credit restructuring aligned with OJK regulation No. 11/POJK.03/2020, and (3) stringent operational cost control. Unlike prior studies that reported generalized financial decline, this case demonstrates that regional banks with agile digital strategies and efficient cost structures can not only survive but thrive during systemic crises. The findings offer actionable policy implications for regional banks in emerging economies.

INTRODUCTION

The COVID-19 pandemic triggered an unprecedented economic shock to global banking systems. In Indonesia, the sector faced a perfect storm: rising non-performing loans (NPLs), declining third-party funds, and compressed interest margins (Azhari & Wahyudi, 2020; Hananto, 2022). Most empirical studies from 2020 to 2023 documented significant declines in bank profitability, measured by ROA and ROE, during the health crisis (Sullivan & Widodoatmodjo, 2021; Dinarjito & Priatna, 2021; Siswanti, 2022). The prevailing narrative has been one of distress, restructuring, and slow recovery.

However, not all banks followed this pattern. A closer look at Indonesia's regional development banks reveals an outlier: PT Bank Jawa Timur (Bank Jatim). Despite operating in the same regulatory environment and facing similar macroeconomic headwinds, Bank Jatim's ROA more than doubled from 2019 to 2021, while its BOPO ratio—a key efficiency metric—fell to one of the lowest levels in the national banking industry. This positive deviance challenges the dominant crisis-performance narrative and raises a critical research question: *What resilience mechanisms enabled a regional bank to improve financial performance during and after a systemic crisis?*

To answer this question, the present study adopts a qualitative comparative case study approach, drawing on the organizational resilience literature (Burnard & Bhamra, 2011; Williams et al., 2017). Resilience in banking is defined as the capacity to absorb shocks, adapt operations, and emerge stronger (Duchek, 2020). While prior work has focused on large national banks or Islamic banks (Sofyan, 2021; Seto & Septianti, 2021), regional banks remain understudied despite their critical role in local economic development.

This study makes three contributions. First, it documents a counterintuitive case of banking resilience, enriching the literature on crisis management in emerging market financial institutions. Second, it identifies specific, replicable mechanisms—digital adoption, cost efficiency, and credit restructuring—that explain positive performance deviation. Third, it offers policy insights for regional bank regulators and managers, particularly in developing economies facing recurring economic volatility.

LITERATURE REVIEW

Organizational Resilience in Banking

Organizational resilience refers to a firm's ability to anticipate, respond to, and recover from disruptive events (Williams et al., 2017). Duchek (2020) proposes a three-stage model: (1) anticipation (risk identification and preparation), (2) coping (resource mobilization and adaptive responses), and (3) adaptation (structural and strategic changes for future resilience). In the banking context, resilience has been operationalized through profitability retention, asset quality maintenance, and liquidity sufficiency (Lepetit & Strobel, 2021).

Digital Transformation as a Resilience Enabler

Prior to the pandemic, digital banking adoption in Indonesia was gradual. However, COVID-19 accelerated branchless banking and mobile platforms (Nasution et al., 2021). Studies show that banks with higher digital

readiness experienced lower deposit withdrawals and maintained loan disbursement during mobility restrictions (Khattak & Ullah, 2022). Yet, most evidence comes from large commercial banks; regional banks' digital resilience remains unexplored.

Credit Restructuring and Regulatory Support

In response to the pandemic, the Indonesian Financial Services Authority (OJK) issued POJK No. 11/POJK.03/2020, allowing banks to restructure loans for affected borrowers without immediate classification as non-performing. While this policy helped many banks avoid NPL spikes, its effectiveness varied based on banks' execution speed and customer outreach (Seto & Septianti, 2021). Proactive restructuring—rather than passive compliance—has been identified as a key differentiator.

Operational Efficiency as a Buffer

The BOPO ratio (operational costs to operational income) is a standard efficiency metric. High BOPO indicates cost inefficiency and reduces net income. During crises, banks with pre-existing cost discipline can reallocate resources to digital channels, lowering BOPO further (Liviawati et al., 2018). Bank Jatim's dramatic BOPO decline from 72% to 34% suggests a strategic efficiency drive.

Research Gap and Hypothesis

Despite extensive literature, no study has examined a regional Indonesian bank that improved key financial ratios during the pandemic. Most comparative studies (e.g., Siswanti, 2022; Sullivan & Widodoatmodjo, 2021) report decline or non-significant change. This case study aims to fill that gap by identifying resilience mechanisms. We do not propose formal hypotheses but rather explore the following research question:

RQ: What organizational resilience mechanisms explain PT Bank Jawa Timur's positive financial performance deviation during and after the COVID-19 pandemic?

METHODOLOGY

Research Design

A qualitative comparative case study design was employed (Yin, 2018). This approach is suitable for investigating "how" and "why" a phenomenon occurs in a real-life context, especially when the case represents a positive deviance. Single-case design is justified because Bank Jatim is an outlier in the population of Indonesian regional banks, offering analytical generalization rather than statistical generalization.

Case Selection

PT Bank Jawa Timur (Bank Jatim) was selected purposively based on three criteria: (1) regional development bank status (non-national), (2) availability of quarterly financial reports (2018–2022), and (3) exceptional financial performance during the pandemic (ROA increase >100% from 2019 to 2021). The Kraksaan Branch in Probolinggo Regency served as the unit of analysis, with branch-level data provided by the bank's internal reporting system.

Data Sources

Secondary data consisted of:

- Quarterly financial statements (Q1) for 2018–2022, including balance sheets and income statements.
- Internal bank reports on digital banking adoption (JConnect user growth and transaction volume).
- Publicly available OJK regulations and industry benchmarks.

All data were accessed through direct observation at the bank’s headquarters, with permission from management. No primary interviews were conducted, which is a limitation acknowledged later.

Key Performance Indicators

We used four standard banking ratios:

- **ROA** (profitability): Net profit after tax / total assets (Nugraha & Susyana, 2021)
- **NPL** (credit risk): Non-performing loans / total loans (Putri et al., 2021)
- **LDR** (liquidity): Total loans disbursed / third-party funds (Lubis, 2021)
- **BOPO** (efficiency): Total operational expenses / total operational income (Liviawati et al., 2018)

Threshold values follow Bank Indonesia regulation (PBI No. 23/2/PBI/2021): NPL <5%, LDR 78–92%, BOPO <93.52%.

Analytical Strategy

We employed pattern-matching analysis, comparing observed ratio changes against predicted patterns from the resilience literature. First, we graphed quarterly trends. Second, we identified inflection points (notable changes in slope). Third, we triangulated these points with documented managerial actions (e.g., JConnect launch date, restructuring program rollout). Finally, we contrasted Bank Jatim’s trajectory with findings from prior studies that reported average industry declines.

RESEARCH RESULT

Financial Ratio Trends (2018–2022)

Table 1 Financial Ratio Trends (2018–2022)

Year	ROA (%)	NPL (%)	LDR (%)	BOPO (%)
2018	3.12	1.25	66.57	69.45
2019	2.89	1.22	63.34	71.40
2020	3.00	1.82	61.86	72.32
2021	7.60	1.64	107.48	34.32
2022	3.91	1.59	83.24	59.36

Source: PT Bank Jawa Timur, Kraksaan Branch quarterly reports (Q1 each year).

Profitability (ROA) – A Positive Deviation

ROA declined slightly from 2018 (3.12%) to 2019 (2.89%), consistent with pre-pandemic slowing. However, in 2020, ROA rose to 3.00%, and in 2021 it surged to 7.60% – an increase of 163% from 2019. This trajectory contradicts most pandemic-era studies. For example, Siswanti (2022) found that Bank Rakyat Indonesia's ROA fell from 3.72% (2019) to 2.70% (2020). Similarly, Sullivan and Widodoatmodjo (2021) reported non-significant changes in ROE but significant increases in BOPO (worsening efficiency) for a sample of listed banks. Bank Jatim's 2021 ROA spike is therefore an outlier.

The steep rise coincides with two internal initiatives: (1) the aggressive promotion of **JConnect mobile banking**, launched in late 2020, which reduced transaction costs and increased fee-based income; (2) a **credit restructuring program** named "Lunas dengan Keringanan" (Repayment with Relief), which prevented NPL spikes while maintaining interest income. By 2022, ROA normalized to 3.91%, still above pre-pandemic levels, indicating sustained recovery rather than a temporary windfall.

Credit Risk (NPL) – Controlled Escalation

NPL increased from 1.22% (2019) to 1.82% (2020) – a 49% rise, but still far below the regulatory threshold of 5%. This moderate increase is attributed to pandemic-induced unemployment, consistent with national trends (Putri et al., 2021). However, unlike many banks that saw NPLs exceed 3% (Hananto, 2022), Bank Jatim quickly reduced NPL to 1.64% in 2021 and 1.59% in 2022 through:

- Partnerships with ASABRI (military pension fund) ensuring stable deposit inflows.
- Focus on infrastructure and consumer financing, which have lower default risks.
- Proactive loan restructuring under POJK No. 11/POJK.03/2020.

The bank's ability to keep NPL below 2% throughout the crisis is a key resilience indicator.

Liquidity (LDR) – Volatility and Management

Pre-pandemic LDR hovered around 63–66%, below the 78% minimum recommended by Bank Indonesia. This low ratio reflects a conservative liquidity stance, partly because 45% of third-party funds came from regional government deposits that are restricted for development spending. In 2021, LDR surged to 107.48%, exceeding the 92% maximum. This spike was driven by a sharp increase in loan demand (corporate and micro infrastructure loans) while third-party funds fluctuated due to the timing of BOS (school operational funds) and Village Fund disbursements. The bank successfully normalized LDR to 83.24% in 2022 by adjusting loan approval rates and deposit marketing.

Operational Efficiency (BOPO) – Dramatic Improvement

The most remarkable finding is the BOPO trajectory: 69.45% (2018) → 71.40% (2019) → 72.32% (2020) → 34.32% (2021) → 59.36% (2022). The 2021 value is exceptionally low, even lower than the most efficient national banks (typically 60–70%). This improvement is directly attributable to the digital shift: JConnect mobile banking allowed customers to perform transactions without visiting branches, drastically reducing teller costs, paper usage, and physical

infrastructure expenses. Additionally, the bank delayed non-essential training and travel, froze non-critical hiring, and renegotiated vendor contracts. The 2022 increase to 59.36% reflects a normalization of operations (resumed training, branch reopening) but remains well below pre-pandemic levels, indicating lasting efficiency gains.

DISCUSSION

Three Resilience Mechanisms

Drawing on pattern-matching analysis, we identify three resilience mechanisms that explain Bank Jatim's positive deviance:

a. Mechanism 1: Accelerated Digital Transformation as a Coping Strategy

While most banks viewed digitalization as a long-term project, Bank Jatim fast-tracked JConnect's feature rollout and actively promoted it through subsidized data packages and customer education. This aligns with Duchek's (2020) "coping" phase, where firms mobilize resources to adapt. Digital adoption reduced BOPO and maintained fee income despite lower branch traffic.

b. Mechanism 2: Proactive Credit Restructuring Preventing NPL Escalation

Rather than waiting for borrowers to default, Bank Jatim identified vulnerable sectors (e.g., tourism, small retail) and offered restructured payment schedules. This proactive approach, consistent with Seto and Septianti (2021), kept NPL increases within a manageable range and preserved customer relationships.

c. Mechanism 3: Cost Discipline Reinforced by Crisis

The bank's pre-crisis BOPO (~70%) was already efficient by industry standards (average ~85%). The crisis triggered a zero-based budgeting approach, eliminating low-value expenditures. The resulting BOPO drop to 34% in 2021 is exceptional and suggests that crisis-induced cost optimization can have lasting effects if digital channels replace physical ones.

Comparison with Prior Studies

Our findings contrast sharply with the dominant literature. Sullivan and Widodoatmodjo (2021) found no significant difference in LDR before and during the pandemic for their sample, whereas Bank Jatim's LDR fluctuated wildly. Dinarjito and Priatna (2021) reported that state-owned banks (except BNI and BTN) remained healthy but did not document performance improvement. Only one study—Siswanti (2022)—found mixed results for BRI, with some ratios improving and others deteriorating. None of these studies reported a near-halving of BOPO or a doubling of ROA.

This contrast suggests that regional banks, despite their smaller scale, may be more agile in implementing digital and cost-cutting measures compared to large, bureaucratic national banks. Bank Jatim's local decision-making authority allowed rapid approval of JConnect investment and restructuring policies.

Theoretical Implications

Our case extends the organizational resilience framework (Williams et al., 2017) by showing that resilience need not be defensive (absorbing losses) but can be **offensive** – using a crisis as an opportunity to restructure cost bases and accelerate digital adoption. We propose a sub-type: *crisis-driven performance improvement*, which occurs when external shocks break internal resistance to change.

Practical Implications for Regional Banks

Three actionable recommendations emerge:

1. **Invest in digital banking platforms before the next crisis.** The cost savings and revenue diversification benefits are substantial.
2. **Adopt proactive loan restructuring protocols.** Early intervention reduces long-term NPLs and retains customer loyalty.
3. **Use crises to enforce zero-based budgeting.** Efficiency gains from temporary measures can be made permanent by shifting transactions to digital channels.

Limitations

This study has four limitations. First, it relies on a single branch's data; while the branch is representative of the bank's operations, head-office effects might differ. Second, lack of primary interviews limits our ability to attribute causality definitively. Third, we could not obtain disaggregated data on JConnect transaction volumes or restructuring approval times. Fourth, the absence of a control group (e.g., another regional bank that did not perform well) weakens causal inference. Future research should employ a multiple-case design or a difference-in-differences approach with bank-level panel data.

CONCLUSION AND RECOMMENDATIONS

This study examined an outlier case: PT Bank Jawa Timur, a regional Indonesian bank that improved its profitability and operational efficiency during the COVID-19 pandemic while controlling credit risk. Using a qualitative comparative case study design and organizational resilience lens, we identified three mechanisms – digital acceleration, proactive restructuring, and cost discipline – that enabled this positive deviance. The findings challenge the prevailing narrative of universal banking decline during the pandemic and offer a replicable model for other regional banks in emerging economies.

The case of Bank Jatim demonstrates that crises can be catalysts for positive transformation when management strategically leverages digital tools and regulatory relief. As the global economy faces continued volatility, these resilience lessons remain highly relevant.

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FURTHER STUDY

This study still has several limitations; therefore, further research is needed on the topic “When a Regional Bank Thrived: A Resilience Case Study of PT Bank Jawa Timur During and After COVID-19” to provide deeper insights and broader empirical evidence regarding organizational resilience, financial performance, and strategic adaptation in regional banking institutions during and after crisis periods.

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