

POLICY ANALYSIS

Statistically Invisible: Regional Development Banks and Ownership-Based Disclosure

Didik Armansyah, S.Pd.^{1*}

¹ Semarang State University, Semarang, Indonesia

* Corresponding author: didikarmansyah666@gmail.com

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ABSTRACT

Indonesia's twenty-seven regional development banks are owned by provincial and district governments and hold assets exceeding 985 trillion rupiah. The international literature identifies government-owned banks as a distinct analytical category associated with lower profitability, higher non-performing loans, and lending patterns responsive to electoral cycles, which makes ownership the variable of primary interest for any assessment of them. This study set out to assess their financial performance and encountered an obstacle that became its principal finding: the national banking supervisor no longer publishes aggregate financial ratios by ownership category, having reorganised its statistical reporting around capital-based groupings. Of the standard prudential ratios, only capital adequacy could be verified for the group. The study therefore reports what remains verifiable and analyses the disclosure gap itself. On the available indicators the group underperforms the industry on both intermediation and capitalisation, with credit growing 7.55 per cent against 10.92 per cent and capital adequacy at 24.86 per cent against 27.02 per cent. Consumer lending constitutes 64.64 per cent of the loan book. The study argues that reorganising banking statistics around capital rather than ownership has rendered invisible precisely the dimension on which the international evidence indicates performance differs, and that ownership-based reporting should be restored alongside the current groupings.

Keywords: *state-owned banks; regional development banks; political lending; banking disclosure; financial performance*

ABSTRAK

Dua puluh tujuh bank pembangunan daerah di Indonesia dimiliki pemerintah provinsi dan kabupaten/kota serta menguasai aset melampaui 985 triliun rupiah. Literatur internasional menempatkan bank milik pemerintah sebagai kategori analitis tersendiri yang dikaitkan dengan profitabilitas lebih rendah, kredit bermasalah lebih tinggi, dan pola penyaluran kredit yang responsif terhadap siklus pemilu — sehingga kepemilikan menjadi variabel utama dalam penilaian apa pun terhadap kelompok bank ini. Penelitian ini semula hendak menilai kinerja keuangan mereka dan menemui hambatan yang justru menjadi temuan utamanya: otoritas pengawas perbankan tidak lagi menerbitkan rasio keuangan agregat menurut kategori kepemilikan, setelah menata ulang pelaporan statistiknya berdasarkan kelompok permodalan. Dari rasio kehati-hatian baku, hanya rasio kecukupan modal yang dapat diverifikasi untuk kelompok ini. Penelitian karena itu melaporkan apa yang masih terverifikasi dan menganalisis kesenjangan pengungkapan itu sendiri. Pada indikator yang tersedia, kelompok ini tertinggal dari industri baik pada intermediasi maupun permodalan, dengan kredit tumbuh 7,55 persen berbanding 10,92 persen dan kecukupan modal 24,86 persen berbanding 27,02 persen. Kredit konsumsi mencapai 64,64 persen portofolio. Penelitian ini berargumen bahwa

penataan ulang statistik perbankan berdasarkan permodalan alih-alih kepemilikan telah membuat tak terlihat justru dimensi yang menurut bukti internasional membedakan kinerja, dan bahwa pelaporan berbasis kepemilikan perlu dipulihkan berdampingan dengan pengelompokan yang berlaku sekarang.

Kata kunci: bank milik negara; bank pembangunan daerah; kredit politis; pengungkapan perbankan; kinerja keuangan

1. INTRODUCTION

Who owns a bank matters for how it behaves. This is among the more robustly established findings in banking research, and it is the reason that ownership has conventionally been a reporting category in banking statistics rather than merely a descriptive attribute.

Indonesia has twenty-seven regional development banks serving thirty-eight provinces, owned by provincial and district governments and holding assets of 985.41 trillion rupiah at the end of 2023. They occupy a position with few exact parallels: commercially licensed and prudentially regulated like any other bank, yet controlled by elected regional executives whose electoral interests are local and whose budgets flow through these institutions.

That configuration is precisely the one the international literature identifies as producing distinctive behaviour. State ownership has been linked to lower profitability, higher non-performing loans, credit stabilisation during shocks, and lending that responds to electoral timing. If these findings hold in Indonesia, the consequences are substantial: regional development banks are the principal financial institutions in many provinces, and their lending decisions shape local credit availability.

This study began as an assessment of that question and ran into a data problem that reframed it. The national supervisor's principal statistical publication no longer reports financial ratios by ownership group, having reorganised around capital-based classifications. The category the international literature identifies as analytically decisive has become statistically invisible. This study therefore asks three questions: what can still be verified about the group's performance, what does the international literature predict for banks so owned, and what follows from the disclosure gap itself?

2. LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

Ownership and bank performance

Panizza (2024), examining more than six thousand banks across 181 countries, provides the most comprehensive recent evidence. State-owned banks are less profitable and carry a higher share of non-performing loans than private domestic or foreign counterparts. At the same time they stabilise credit during domestic shocks, and no robust country-level relationship appears between bank ownership and either economic growth or financial depth.

The finding is important for framing because it is two-sided. State ownership carries a measurable efficiency cost and a measurable stabilisation benefit, and evaluating such banks against private-sector profitability benchmarks alone answers only half the question. Borsuk et al. (2024) reinforce the stabilisation side, finding domestically controlled state banks stabilised credit through the 2008 crisis relative to foreign banks. Mirzaei et al. (2021) find state ownership weakening the transmission of

macroprudential policy to credit growth, which is a further form of insulation from system-wide signals.

Political lending

The mechanism most examined is electoral. Englmaier and Stowasser (2017) find German savings banks controlled by district-level politicians systematically adjusting lending policy over local electoral cycles. Koetter and Popov (2021), examining German state elections from 1992 to 2018, find that when party control changes, government-controlled savings banks increase lending to regional government and reduce lending to the private sector, with no equivalent effect in cooperative banks.

That comparison is the cleanest available evidence that the effect is ownership-driven rather than institutional: cooperative banks operate in the same markets under the same regulation and do not exhibit the pattern. Marcelin et al. (2024) find state bank credit growth approximately 6.67 percentage points higher during presidential election periods than private commercial banks, followed by contraction. Fungáčová et al. (2023), examining Russian presidential elections, find both state and private banks increasing pre-election lending with credit quality deteriorating the following year.

Ashraf et al. (2018) supply the institutional qualification that matters most for the Indonesian case. Examining 185 state-owned banks across 51 developing countries, they find such banks lend more and earn less in election years, but that this political pressure appears only where political institutions are weak. Political pressure on state banks is therefore not automatic; it is conditional on the institutional environment, which makes the strength of local governance an empirical question rather than an assumption. Frigerio and Vandone (2020) examine the same question for European development banks across 2002 to 2015.

Indonesian evidence

Satyagraha et al. (2022), applying stochastic frontier analysis to twenty-seven regional development banks over 2011 to 2020, reach a stark conclusion: no such bank was efficient in either cost or profit terms. Capital adequacy and technology investment raised efficiency while non-performing loans lowered it.

Aswan et al. (2024), using panel data on sixteen regional development banks across twenty-one provinces over 2013 to 2021, find that general and special allocation transfers are negatively associated with investment lending decisions, while domestic investment is positively associated. The negative transfer coefficient is notable: where a bank's owner receives larger central transfers, the bank lends less for investment, which is consistent with deposits from transfer-funded regional budgets substituting for commercial intermediation.

Thuda et al. (2024), surveying 255 branch managers across twenty-seven regional development banks, find talent development, transformational leadership and digital adoption driving transformation success, while regional government intervention did not significantly moderate those relationships. The finding is relevant as a counterweight: it does not support a simple account in which owner interference determines everything.

State ownership and bank performance

The cross-country evidence on government-owned banks is now large enough to state plainly. Panizza (2024), covering more than 6,500 banks in 181 countries between 1995 and 2020, finds no robust country-level relationship between bank ownership and either economic growth or financial depth, but at bank level finds state-owned banks recording lower profitability and higher non-performing loan ratios than private peers. He also

finds state-owned banks stabilising credit during domestic shocks while foreign banks amplify external ones, so the ownership form carries both a performance cost and a stabilisation benefit.

The picture is not uniformly unfavourable. Pak (2019), examining banks across a regional economic union between 2008 and 2016, finds government-owned banks showing lower default risk and greater resilience to external sanctions while privately owned banks were destabilised by them, and finds no significant relationship between state ownership and funding stability under the standard net stable funding measure. Stability in that study fell with size and rapid lending expansion and rose with capitalisation, which are properties of the balance sheet rather than of the owner.

Tarchouna et al. (2022), applying dynamic panel estimation to 184 commercial banks over fourteen years and stratifying by asset size, find that the effect of governance arrangements on loan quality depends on bank size: small banks display governance tied to personal connections and poorer loan quality, medium banks the strongest frameworks, and large banks governance undermined by liquidity that enables risky lending. Any comparison of ownership classes that does not control for size is therefore comparing governance regimes as much as owners.

Banks with a public mandate and the local credit supply

Behr et al. (2017) provide the closest international analogue to a subnationally owned bank with a development mandate, and their central finding is quantified: controlling for size, capitalisation and deposit funding, banks with a public mandate are twenty-five per cent less cyclical than other local banks. The effect operates through credit supply rather than demand and is strongest where liquidity and deposit bases are stable. A publicly mandated local bank, on this evidence, buys counter-cyclicalities at the price of the profitability differential Panizza (2024) documents.

Two studies establish that local bank presence has effects that a national aggregate conceals. Nguyen (2019), instrumenting branch closures through post-merger consolidation, finds a closure reducing annual small-business lending originations by approximately 453,000 dollars against a baseline of 4.7 million, with effects persisting up to six years and disappearing beyond six miles. Petach et al. (2021) find community bank presence accelerating rural employment growth, and counties with greater pre-recession community bank presence experiencing smaller employment declines during the downturn.

Political cycles in government-owned bank lending

The literature on political interference in state bank credit has moved from assertion to measurement. Ashraf et al. (2018), examining 185 state-owned banks across 51 developing countries over fifteen years, find that such banks lend more and earn less in election years — but that the effect appears only where political institutions are weak, and is eliminated where constraints on policy change and democratic accountability are stronger. Their design compares state banks' own election and non-election years rather than comparing state with private banks, which removes the usual confound.

Koetter and Popov (2021) supply the finding closest to the subject of this article. Using subnational elections, they find that party turnover at that level produces a sharp increase in lending by locally owned savings banks to their home-state government, accompanied by reduced private lending, while cooperative banks with comparable regional footprints show no such effect. They read the contrast as evidence that government ownership specifically creates vulnerability to political interference in a bank's development mission. Marcelin et al. (2024) find state-owned banks increasing

lending by approximately 6.67 per cent more than private banks around presidential elections and contracting afterwards, consistent with a credit-smoothing role.

Disclosure, opacity and market discipline

Because the central observation of this study is an absence of disclosure, the literature on what disclosure does is directly load-bearing. Granja (2018), exploiting variation in when jurisdictions adopted requirements that banks publish financial statements, finds adoption associated with greater stability and development of commercial banking. His political-economy result is equally pertinent: powerful landowners and small private banks are associated with late adoption, so who resists disclosure is itself informative about whose interests it threatens.

Fosu et al. (2017), proxying opacity through analysts' forecasts across a large panel of bank holding companies, find opacity increasing insolvency risk, with the relationship amplified by competition and only modestly moderated by business model. Jungherr (2018) models the choice formally, finding that secrecy encourages excessive risk-taking while reducing run frequency at any given risk level, that banks choose inefficiently opaque strategies where asset composition is proprietary, and that mandated disclosure can therefore improve on the market outcome — though full transparency optimises neither efficiency nor stability.

Quintero-V (2023) identifies where the disciplining channel fails even when data are available, finding market discipline operating generally but failing for large banks, where too-big-to-fail perceptions limit it, and for institutions concentrated in fully insured deposits. Read together, these four studies indicate that a disclosure gap is not merely an inconvenience for researchers: it removes a mechanism that the evidence associates with stability, and it removes it selectively for the institutions whose disclosure was withdrawn.

Indonesian evidence

Domestic empirical work on subnationally owned banks is thin, and what exists concerns adjacent institutions. Wasiaturrahma et al. (2020), applying two-stage data envelopment analysis to Indonesian rural banks, find them inefficient in intermediation while efficient in production, with efficiency driven positively by urban location and capital adequacy. Lailaa and Kurniawati (2018) come closest to the present subject, examining regional development banks after distribution licences for a subsidised credit programme were revoked for twenty-six banks and subsequently reopened, and finding no significant difference in non-performing loans or profitability before and after those banks became distributors.

Manurung et al. (2024), surveying 414 credit managers across three state-owned banks, find sustainable business financing growing by only twelve per cent on average across four years, with environmental, social and governance performance the strongest determinant of sustainable lending and the value chain operating largely through it. The finding is relevant here less for its subject than for its method: it demonstrates that where published ratios are unavailable, primary survey evidence from within institutions remains a feasible route to the question.

Research gap

The Indonesian literature examines efficiency and lending determinants but has not addressed the political lending question that dominates the international literature, nor the adequacy of the disclosure regime through which such questions would be answered. This study addresses the second, which is logically prior: where ownership-disaggregated data are unavailable, the first question cannot be answered at all.

3. METHOD

The study uses published supervisory and regulatory documents. It is descriptive and does not estimate a model; the contribution is the assembly of verifiable figures, the documentation of what is not available, and the interpretation of both against the comparative literature.

Sources and verification procedure

Aggregate figures were sought from the supervisor's principal banking statistics publication, its quarterly banking surveillance report, its sectoral roadmap for regional development banks, and its year-end press statements. Each figure reported below was traced to a specific published document. Figures circulating in secondary media were excluded unless confirmed against a primary source.

This procedure produced fewer figures than anticipated, and the exclusions are reported rather than concealed, since the pattern of what is and is not published is itself the object of analysis.

What could not be verified

Four categories of information could not be verified from primary published sources and are therefore absent from the analysis. Aggregate return on assets, non-performing loan ratio, operating efficiency ratio and loan-to-deposit ratio for the regional development bank group were not located for either 2023 or 2024; the principal statistics publication organises prudential ratios by capital-based groupings rather than by ownership. Comparative ratios for other ownership categories were unavailable for the same reason. Total group assets at end-2024 could not be confirmed. The group's share of total banking system assets could not be computed, since the denominator was not verifiable from a primary source.

One further caution applies. The sectoral roadmap appears to state two different figures for the group's share of regional lending in adjacent passages, and the discrepancy could not be resolved from the extraction available. Neither figure is reported here.

4. RESULTS AND DISCUSSION

What remains verifiable

The group comprises twenty-seven banks serving thirty-eight provinces. At end-2023 it held assets of 985.41 trillion rupiah, loans of 606.68 trillion, and deposits of 730.33 trillion, having grown over the preceding five years at average annual rates of 8.51, 7.56 and 8.99 per cent respectively.

Table 1. Verified aggregate position of regional development banks

Source: sectoral roadmap and year-end press statement of the banking supervisor. Return on assets, non-performing loans, operating efficiency and loan-to-deposit ratios are not published for this group.

Against the commercial banking industry on the three indicators available for both, the group is behind on all three.

Figure 1. Regional development banks compared with the commercial banking industry, October 2024 (source: year-end press statement of the banking supervisor)

Credit grew 7.55 per cent against an industry rate of 10.92 per cent, and deposits 4.35 per cent against 6.74 per cent. Capital adequacy stood at 24.86 per cent against an industry figure of 27.02 per cent. The combination is worth stating plainly: the group is growing more slowly and is more thinly capitalised than the industry average. Slower

growth with stronger capital would suggest deliberate conservatism; slower growth with weaker capital does not admit that reading.

The capital position connects to a structural constraint the supervisor itself has acknowledged, namely limited options for strengthening capital alongside governance weaknesses. A bank owned by a regional government can raise capital only as fast as its owner can appropriate it, and regional budgets compete across many claims. This is a direct consequence of the ownership structure and has no analogue in privately held banks, which can access equity markets.

Portfolio composition

The loan book is dominated by consumer lending, which constitutes 64.64 per cent of loans, against 21.00 per cent working capital and 14.36 per cent investment lending. Lending to micro, small and medium enterprises accounts for 5.82, 8.22 and 4.22 per cent respectively — a combined 18.26 per cent.

Table 2. Loan portfolio composition, December 2023

Source: sectoral roadmap of the banking supervisor. Enterprise categories are a cross-cutting classification and are not additive with the first three rows.

This composition is analytically significant. Consumer lending by regional development banks is understood to consist substantially of payroll-deduction loans to regional civil servants, whose salaries the bank administers as the regional treasury holder. Such lending has very low credit risk and requires minimal underwriting capability, and its dominance indicates a business model resting on the institutional relationship with the owner rather than on commercial intermediation.

Read alongside Satyagraha et al.'s (2022) finding that no regional development bank was cost or profit efficient, the composition suggests a plausible mechanism. A bank whose principal asset is a captive payroll-lending book faces limited competitive pressure to develop the credit assessment capability that commercial lending requires, and a portfolio of that shape is difficult to reconcile with a development mandate. That fewer than one loan rupiah in five reaches enterprises of any size is the clearest expression of the gap between the group's name and its balance sheet.

The treasury relationship and its consequences

Understanding why the portfolio takes this shape requires attention to a relationship that has no parallel in privately owned banking. A regional development bank typically holds the regional treasury account, so the owner's budget flows through the bank as deposits, and the owner's employees receive salaries through it. Three consequences follow, and together they explain much of the pattern documented above.

The first concerns funding. Deposits arriving automatically from the owner's budget reduce the pressure to compete for retail funding, which lowers cost but also weakens the discipline that competitive deposit gathering imposes. Aswan et al.'s (2024) finding that larger central transfers to the owner are associated with lower investment lending is consistent with this: where transfer-funded deposits are abundant, the bank has less need to deploy them into demanding commercial lending.

The second concerns the asset side. Payroll deduction lending to the owner's employees carries minimal credit risk because repayment is deducted at source. It is highly profitable relative to its risk and requires almost no credit assessment. A bank able to fill two-thirds of its book this way has little commercial incentive to build enterprise lending capability, and the capability gap then becomes self-reinforcing.

The third concerns governance. The owner is simultaneously shareholder, principal depositor, employer of the borrower base, and the political authority in the jurisdiction. This concentration of roles is precisely the configuration that Koetter and Popov (2021) find producing electorally responsive lending in Germany, and Ashraf et al. (2018) find producing political pressure where institutions are weak. Whether it produces those effects in Indonesia is unknown, and — as the following section argues — currently unknowable from public data.

The disclosure gap

The reorganisation of banking statistics around capital-based groupings is defensible on prudential grounds: capital determines the scale of activity a bank may undertake and the intensity of supervision it attracts. As a supervisory classification it is coherent.

As an analytical classification it discards the variable the research literature identifies as consequential. Panizza (2024) finds ownership associated with profitability and asset quality differences across 181 countries; Koetter and Popov (2021) show the effect operating through ownership specifically, since cooperative banks in the same markets behave differently; Ashraf et al. (2018) find political pressure on state banks conditional on institutional quality. Every one of these findings requires ownership-level data to test.

The practical consequence in the Indonesian case is that the questions the literature makes salient cannot be examined from public data. Whether regional development bank lending responds to regional electoral cycles, whether their asset quality differs from privately owned peers, and whether their efficiency gap has narrowed since Satyagraha et al.'s (2022) 2011 to 2020 window are all unanswerable without the series that has been discontinued.

The point is not that the supervisor conceals information. Individual banks publish audited financial statements, and a determined researcher could assemble the group aggregate from twenty-seven separate reports. The point is that the cost of asking the question has risen substantially, and that costs of this kind determine which questions get asked. A category that requires manual reconstruction will be examined less often than one available in a published table.

What the stabilisation finding implies for evaluation

Before turning to implications it is worth resisting a one-sided reading. Panizza (2024) finds state banks less profitable and more troubled by bad loans, and also finds them stabilising credit during domestic shocks. Borsuk et al. (2024) find domestically controlled state banks stabilising credit through the 2008 crisis where foreign banks did not.

If Indonesian regional development banks perform this stabilising function, then their lower growth in ordinary conditions may be the price of counter-cyclical capacity, and evaluating them solely against industry growth rates would misprice what they provide. This is not merely a theoretical possibility: a bank whose funding derives from a regional budget rather than from market deposits is structurally less exposed to the funding pressures that force private banks to contract during stress.

The proposition is testable and has not been tested. It would require lending data by ownership category across a shock period — the pandemic being the obvious candidate — which is exactly the data the current reporting regime does not provide. The stabilisation hypothesis therefore joins the political lending hypothesis as a question the disclosure gap forecloses, and it is worth noting that the gap prevents testing both the least and the most favourable accounts of these institutions.

Implications

Three implications follow. First, ownership-based reporting should be restored alongside capital-based groupings rather than replaced by them. The two serve different purposes and are not substitutes: capital groupings serve supervision, ownership groupings serve analysis and public accountability. Publishing both imposes minimal additional cost, since the underlying data are already collected.

Second, the capital constraint identified above is structural and will not resolve through performance improvement alone. Where an owner's capacity to inject capital is bounded by its budget, and where the regulatory minimum rises, consolidation becomes the available response. This is the logic behind the business-group arrangements now being formed, and their effect on the ownership relationship — and therefore on the political lending channel — is a question that the current disclosure regime will make difficult to examine.

Third, portfolio concentration in consumer lending deserves attention as a development question rather than a prudential one. A payroll-lending book is prudentially sound; the concern is that it may not require or build the capability that enterprise lending demands, and that a bank so configured cannot readily expand into the segment its mandate names.

What restored reporting should contain

Because the recommendation to restore ownership-based reporting is the study's principal practical claim, it is worth specifying what would be required for it to be useful. Three elements matter.

The first is the standard prudential set — return on assets, non-performing loans gross and net, operating efficiency, and loan-to-deposit ratio — reported for the ownership category on the same quarterly cycle as the capital-based groupings. This is the minimum needed to place the group against its peers on the dimensions the international evidence identifies.

The second is loan composition by economic purpose, which the sectoral roadmap reports at a point in time but not as a series. Whether consumer lending's share is rising or falling determines whether the development mandate is being progressively abandoned or gradually recovered, and a single observation cannot answer that.

The third, and the most analytically valuable, is lending disaggregated in a way that permits electoral timing to be examined. Regional elections do not occur simultaneously across Indonesia, which creates precisely the staggered variation that Englmaier and Stowasser (2017) and Koetter and Popov (2021) exploit in the German case. Indonesia therefore offers unusually favourable conditions for testing the political lending hypothesis — a natural experiment that currently cannot be run for want of data that the supervisor already holds.

A fourth element concerns comparability across the group. The twenty-seven institutions differ greatly in size, in the fiscal capacity of their owners, and in the competitive intensity of their markets. Group aggregates conceal that variation, and a distribution — reporting quartiles rather than only means — would reveal whether weak aggregate figures reflect uniform underperformance or a small number of severely troubled institutions dragging an otherwise sound group. The two situations call for entirely different supervisory responses, and the current reporting cannot distinguish them.

There is precedent for this kind of restoration. Ownership was a standard reporting category in Indonesian banking statistics for decades before the reorganisation, so the

classification exists, the data are collected, and the tables were once produced. Restoring them is a decision about publication rather than a new data collection burden, which places the cost of the recommendation at close to zero and makes the case for it correspondingly difficult to resist on resource grounds.

Finally, the case for restoration does not rest on suspicion. It rests on the observation that a category holding close to a thousand trillion rupiah in assets, owned by elected officials, and identified by a large international literature as behaving distinctively, is a category about which the public should be able to form a view from published data.

What the disclosure gap forecloses

The literature reviewed above allows the consequence of the disclosure gap to be stated more precisely than as a research inconvenience. Granja (2018) associates the adoption of disclosure requirements with greater banking stability and development; Fosu et al. (2017) find opacity increasing insolvency risk; and Jungherr (2018) shows banks choosing inefficiently opaque strategies where asset composition is proprietary, so that mandated disclosure can improve on the market outcome. Withdrawal of an ownership-disaggregated series is therefore a movement along a dimension the evidence associates with risk, not a neutral change of publication practice.

Quintero-V's (2023) finding that market discipline fails for large institutions and for those concentrated in fully insured deposits identifies which banks the loss of disclosure affects least, and by implication which it affects most. Where a class of banks is neither large enough to attract supervisory attention on its own account nor small enough to be disciplined by uninsured depositors, published comparative ratios are the principal mechanism through which its performance becomes visible at all.

What could not be tested, and what the test would have shown

Three studies indicate the specific questions the missing series would have permitted. Behr et al.'s (2017) estimate that publicly mandated banks are twenty-five per cent less cyclical than other local banks is testable only against lending data disaggregated by ownership. Koetter and Popov's (2021) design, comparing locally owned banks against cooperative banks with similar footprints around subnational elections, requires exactly the ownership classification that is no longer published. Ashraf et al.'s (2018) within-bank comparison of election and non-election years requires the same.

The Indonesian institutional setting makes those tests unusually interesting rather than merely possible. Subnational executive elections are staggered across jurisdictions, which supplies the timing variation such designs need; and the ownership relationship between a regional government and its bank is direct rather than mediated by a holding structure. What is absent is not the research design and not the underlying administrative data, but their publication in a form that permits comparison — and that absence is a decision rather than a constraint.

One further finding qualifies what local ownership can be expected to deliver. Gama et al. (2024) find that higher bank branch density at municipal level raises the odds that local small firms adopt a conservative, debt-avoiding financing policy, while cooperative bank branches show the inverse relationship, with the effect economically larger for long-term than short-term debt. Presence and lending are therefore not the same variable, and a regional bank's contribution cannot be inferred from its branch network alone — which is a further reason why the withdrawn ratios, rather than network statistics, were the informative series.

Limitations

Four limitations qualify this study. First and most importantly, the core financial ratios are unavailable, so no assessment of profitability or asset quality is offered and none should be inferred. Second, the study reports group aggregates and cannot address variation between the twenty-seven institutions, which is likely substantial. Third, comparison with the industry rests on three indicators at a single date. Fourth, the political lending literature is used to frame expectations rather than to test them, since testing requires the disaggregated data whose absence this study documents.

A note on scope is warranted. Nothing in this analysis implies that regional development banks are poorly run or that public ownership of banks is undesirable. Panizza (2024) finds costs and benefits on both sides, and Thuda et al. (2024) find owner intervention not significantly moderating transformation outcomes across twenty-seven institutions — a result inconsistent with a simple account of pervasive political interference. The argument here is narrower and, for that reason, harder to dismiss: whatever these institutions are doing, the public currently cannot see it, and the international evidence indicates that what cannot be seen in this particular category is what most warrants seeing.

5. CONCLUSION

This study set out to assess the financial performance of Indonesia's regional development banks and found that the public data required no longer exist in published form. Of the standard prudential ratios, only capital adequacy is available for the group. The reorganisation of banking statistics around capital-based groupings has made ownership — the variable the international literature identifies as most consequential — statistically invisible.

What remains verifiable is not reassuring. The group grows more slowly than the industry on both credit and deposits and is more thinly capitalised, a combination that does not support an interpretation of deliberate conservatism. Nearly two-thirds of its loan book is consumer lending, while enterprises of all sizes together receive under a fifth, which sits awkwardly with a development mandate and is consistent with the comprehensive inefficiency that stochastic frontier analysis found across the group.

The international literature indicates why ownership matters: state-owned banks are less profitable and carry more bad loans, they stabilise credit during shocks, and in weak institutional environments they lend more and earn less in election years. Whether these patterns hold for Indonesian regional development banks is a question of considerable public importance, given that these institutions hold assets approaching a thousand trillion rupiah and are owned by elected officials. It is a question that the current disclosure regime does not permit the public to answer, and restoring ownership-based reporting is the necessary first step toward answering it.

DECLARATIONS

Author contributions (CRedit)

Conceptualisation: Author 1. Methodology: Author 1. Formal analysis and investigation: Author 1. Writing — original draft preparation: Author 1. Writing — review and editing: Author 1. Supervision: Author 1. All named authors have read and approved the final manuscript and accept responsibility for its content.

Conflict of interest

The authors declare that they have no financial or non-financial conflict of interest in relation to the subject matter of this article. No author holds a position in, or receives support from, any organisation examined or evaluated in this study.

Data availability

This study generated no primary data. It draws exclusively on published peer-reviewed literature, publicly available legal instruments and publicly available official statistics, all of which are identified in the text and listed in the references. No confidential administrative record, individual taxpayer record, permit file or personal datum was accessed, and no individual person or business is identified. Every quantity reported was traced to a single identified public source and can be verified by any reader from that source.

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Declaration on the use of artificial intelligence

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