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Qualitative Study on Bank Health Perception in PT BPD Bali

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ABSTRACT

his study explores stakeholder perceptions of bank health in the context of PT Bank Pembangunan Daerah Bali (BPD Bali), focusing on how financial, managerial, relational, and cultural dimensions shape the perceived soundness of a regional banking institution. The study examines how these perceptions reflect broader socio institutional realities and influence trust, legitimacy, and institutional sustainability. A phenomenological qualitative study was conducted using purposive sampling. Data were collected through in depth semi structured interviews and supported by a qualitative document analysis of the official 2024 Annual Report of PT BPD Bali to contextualize stakeholder narratives with institutional performance metrics and regulatory evaluations. Interview transcripts were analyzed using open and axial coding techniques to identify thematic patterns. Triangulation with findings from the Annual Report ensured consistency between stakeholder perspectives and documented institutional data, enhancing the depth and credibility of the analysis. The findings reveal that stakeholders perceive PT BPD Bali as a financially sound, professionally managed, and culturally embedded institution. While financial indicators such as ROA, CAR, and NPL confirm technical soundness, perceptions are primarily shaped by relational trust, consistent governance, and alignment with local values and regional development missions. The congruence between formal evaluations and stakeholder interpretations underscores the importance of institutional legitimacy in defining bank health. Based on the results, the study proposes a multidimensional perspective of bank health that integrates formal performance assessments with stakeholder perceptions and socio cultural embeddedness. This perspective contributes to the development of a more comprehensive and contextually relevant framework for evaluating the sustainability of regional financial institutions in Indonesia.

1. INTRODUCTION

In the dynamic landscape of financial intermediation, the health of a banking institution remains a cornerstone for economic stability, public confidence, and regulatory oversight. Especially within the context of emerging economies, assessing bank health is not only crucial for safeguarding depositors' interests but also for enhancing the resilience of the broader financial system. In Indonesia, the emphasis on bank soundness has intensified in recent years, particularly in response to systemic shocks such as the COVID-19 pandemic and the subsequent acceleration of digital banking practices. Previous studies have extensively employed quantitative frameworks such as the CAMEL and RGEC methodologies to assess banking performance. For instance, Sari et al. (2024) conducted a comparative analysis of BNI and CIMB Niaga during and after the pandemic using the RGEC method, revealing their strong resilience amidst adverse external conditions. Similarly, Ayusningtyas and Yendra (2024) evaluated state owned banks using CAMEL, highlighting fluctuations in financial ratios such as ROA and NPM, thereby underscoring the need for operational efficiency. These studies underscore the value of structured financial metrics in diagnosing institutional health.

However, while quantitative indicators offer empirical precision, they may fall short in capturing the lived experiences and perceptions of stakeholders elements that increasingly influence trust, governance quality, and customer behavior. Ma'bad et al. (2024) argued that stakeholder perception significantly shapes bank reputation and customer loyalty, which are pivotal for long-term sustainability. Zebua et al. (2024) further illustrated how qualitative dimensions like corporate governance and perceived profitability impact the valuation of digital banks. These findings suggest a critical gap: the need to complement traditional financial models with qualitative inquiry, particularly in institutions embedded within distinct regional and cultural contexts.

PT Bank Pembangunan Daerah Bali (BPD Bali), as a regionally owned bank, operates within a unique institutional environment shaped by local governance, community expectations, and socio-cultural dynamics. Despite its strategic importance in supporting regional development, there is a lack of research examining how its health is perceived by key stakeholders, including management, employees, regulators, and clients. Unlike national banks, regional development banks often face localized challenges that require a context-specific understanding of institutional health. The urgency of this research is heightened by recent shifts in Indonesia's regulatory framework, increasing transparency demands from Otoritas Jasa Keuangan (OJK), and ongoing discussions on bank consolidation and performance accountability at the regional level. As emphasized by Pratiwi and Sulhan (2024), while financial indicators such as CAR, GCG, and ROA provide baseline evaluations, they must be interpreted alongside organizational perceptions and stakeholder trust particularly in light of digital transformation and the increasing complexity of banking risks (Djariyah et al., 2023; Muntaqiah & Akhmadi, 2024).

This study seeks to address the following research questions: (1) How do stakeholders perceive the health of PT BPD Bali? (2) What dimensions financial, managerial, cultural, or relational are most salient in shaping these perceptions? (3) How do local institutional and socio cultural dynamics inform and influence the construction of these perceptions?

This research contributes to the literature by offering a qualitative, perception-based framework for understanding bank health in regional banking contexts. The originality of the study lies in its focus on an underexplored institution PT BPD Bali and its adoption of interpretive inquiry to reveal how bank soundness is socially constructed. By integrating stakeholder narratives, this study proposes a broader and more nuanced understanding of what constitutes "bank health," advancing both theoretical insights and policy relevance in the field of banking governance and financial sociology.

2. LITERATURE REVIEW

The concept of bank health has long been examined through a range of standardized frameworks, primarily using quantitative models such as CAMEL (Capital, Asset Quality, Management, Earnings, Liquidity) and RGEC (Risk Profile, Good Corporate Governance, Earnings, Capital). These models serve as the principal instruments in evaluating the soundness of banking institutions, especially in highly regulated environments such as Indonesia. Several studies have adopted these approaches to evaluate bank health across varying contexts. Sari, Dahliani, and Edi (2024) employed the RGEC framework to assess the health of Bank BNI and Bank CIMB Niaga during and after the COVID-19 pandemic, demonstrating both institutions' capacity to maintain strong fundamentals amid macroeconomic disruptions. Similarly, Ayusningtyas and Yendra (2024) applied the CAMEL method to four state owned banks listed on the IDX, finding that while overall health remained within safe thresholds, performance indicators such as NPM and ROA showed volatility, indicating operational inefficiencies that could be addressed through improved management strategies. Extending beyond commercial banks, Ma'bad, Ekaningsih, and Mustafidah (2024) examined Bank Muamalat using the Risk Based Bank Rating (RBBR) method and highlighted the pivotal role of bank health in building public trust, particularly in financial institutions. This research introduced a vital perspective by emphasizing not only technical performance but also the socio religious trust dimensions that are often intertwined with bank perception in Indonesia. However, the study remained firmly rooted in quantitative assessment and did not incorporate the voice of stakeholders or clients.

A recurring theme across various studies is the relationship between bank health indicators and firm value. Zebua, Handayani, and Ilmi (2024) analyzed digital banks using the RGEC method and concluded that Good Corporate Governance and earnings significantly influenced perceived company value, while risk profile and capital were less impactful. This suggests that stakeholder perception particularly in fast evolving digital contexts may diverge from traditional financial assessments. Pratiwi and Sulhan (2024) further explored the moderating role of company size on the relationship between bank health and firm value. While earnings showed significant influence on firm value, other indicators such as NPL, CAR, and GCG revealed limited direct impact. Their findings indicate that the perceived health of a bank cannot be fully encapsulated by regulatory metrics alone, particularly when organizational scale and market visibility intervene.

Several other studies also reveal gaps between quantitative indicators and actual stakeholder experiences. Frederich and Syafri (2024) assessed six banks within the Infobank15 Index and noted that while financial metrics categorized these banks as "very healthy," anecdotal evidence suggested declining customer satisfaction during crisis periods. Suhartini and Awaliah (2023) identified a similar disconnect at Bank Muamalat, where financial distress coexisted with rising customer loyalty pointing toward non financial determinants such as brand strength, service quality, and social capital. Djariyah, Cahyaningtyas, and Isnaini (2023) examined the impact of RGEC indicators on financial distress and concluded that only certain components namely LDR, GCG, and CAR exerted significant influence. Others like NPL and

ROA were found to be less predictive, challenging assumptions about the universal applicability of financial ratios in predicting crisis. Likewise, Muntaqiah and Akhmadi (2024) highlighted that during the pandemic, conventional banks with strong liquidity and large asset bases fared better, even when credit risks (NPL) increased emphasizing the context specific nature of health assessments.

Moreover, Putri et al. (2024) compared two Islamic banks Bank Victoria Syariah and Bank Panin Dubai Syariah and found that CAMEL indicators fluctuated due to internal strategies and external shocks, again reinforcing that numerical stability does not necessarily equate to institutional resilience. Yudawisastra, Sumantri, and Suwarna (2023) provided a quantitative link between banking health indicators (CAR, LDR, NPL) and profitability (ROA), revealing inconsistencies across periods and bank types, which may mask underlying institutional weaknesses or stakeholder discontent.

While the studies above have contributed to an expansive understanding of bank health from a financial perspective, they generally share three limitations. First, the majority adopt quantitative approaches, which although methodologically robust fail to account for subjective and contextual perceptions that shape stakeholder confidence. Second, little attention has been paid to regional banks such as PT BPD Bali, whose operational realities differ significantly from national and digital banks. Third, existing models do not adequately integrate local socio cultural variables, which can significantly shape institutional legitimacy and sustainability.

This study is informed by stakeholder theory, which posits that institutional performance is co-constructed through the interactions and perceptions of various internal and external actors. In the context of banking, this includes regulators, employees, customers, and local communities. The research also draws from institutional theory, particularly the construct of legitimacy, which refers to the perceived appropriateness of an organization's actions within its environment. These frameworks enable a deeper understanding of how bank health is interpreted through social, cultural, and relational lenses not merely financial performance.

3. METHODS

This study employs a qualitative research approach with a phenomenological design to explore the perceptions of bank health as experienced and interpreted by various stakeholders within PT Bank Pembangunan Daerah Bali (BPD Bali). According to Hasan et al. (2025), qualitative research aims to understand the meaning behind phenomena in natural settings, emphasizing depth over breadth, and the subjective experiences of individuals over generalizability. The phenomenological method specifically seeks to uncover the essence of lived experiences, making it highly suitable for exploring how different actors interpret the health and performance of a financial institution.

The primary objective of this study is to explore and interpret the perceptions of bank health among internal and external stakeholders of PT BPD Bali. Unlike studies that rely solely on quantitative indicators such as RGEC or CAMEL ratios, this research investigates the subjective understanding of bank soundness, including aspects such as trust, service quality, risk perception, and governance culture. The core construct of this research is the perception of "bank health," which is examined across several dimensions including financial resilience, managerial quality, risk governance, community engagement, and institutional legitimacy. These dimensions are not predefined but rather emerge inductively from stakeholder narratives during the research process.

PT Bank Pembangunan Daerah Bali (BPD Bali) is purposively selected as the research object due to its unique position as a regionally owned financial institution embedded in the socio economic fabric of Bali Province. The choice is grounded in three key considerations: Local Significance: As the primary regional development bank, BPD Bali plays a critical role in channeling credit to MSMEs, rural development, and local government financial management. Institutional Characteristics: Unlike national or commercial banks, BPD Bali operates within a distinctive governance structure involving local governments, making stakeholder perception a highly contextual phenomenon. Strategic Role: The bank is central to regional fiscal and economic stability, and its perceived health significantly influences local financial behavior, trust, and developmental outcomes.

This study employs purposive sampling to select information rich participants who have direct interactions with or are significantly impacted by the operations of PT Bank Pembangunan Daerah Bali (BPD Bali). The sample comprises diverse stakeholder groups to capture a comprehensive understanding of the bank's perceived health and performance. Internal stakeholders include branch managers, risk and compliance officers, as well as credit officers, who are directly involved in daily operations and decision making processes. External perspectives are gathered from retail clients and MSME borrowers, whose financial activities are closely tied to the bank's services. In addition, insights from regulatory bodies specifically representatives from the Financial Services Authority (OJK) and the regional office of Bank Indonesia are included to provide a supervisory and policy level view. Finally, community leaders and local government partners are engaged to contextualize the bank's socio economic role within the broader regional development framework. Data collection is conducted through in-depth semi structured interviews, allowing participants to articulate their experiences, views, and expectations regarding the health and functioning of the bank. Field notes and relevant documents such as internal reports or public disclosures are also analyzed to support the triangulation of findings.

This study employs a grounded theory approach rather than a hypothesis-testing framework, allowing theoretical constructs to emerge inductively from the empirical data. This methodological orientation is consistent with the view of Hasan et al. (2025), who emphasize that qualitative research should facilitate conceptual development rooted in field interactions rather than impose predefined analytical structures. The research process unfolds in four interconnected stages: initial engagement and contextual exploration, iterative data collection and coding, thematic analysis and categorization, and finally, the construction of a theoretical model that captures stakeholder informed understandings of bank health within the regional banking sector. This design enables the research to reflect the lived experiences, perceptions, and values of individuals directly involved with PT Bank Pembangunan Daerah Bali (BPD Bali).

Data analysis was conducted using a systematic thematic coding process that incorporates open coding, axial coding, and selective coding, as guided by grounded theory procedures (Hasan et al., 2025). NVivo or similar qualitative data analysis software was used to organize and manage interview transcripts efficiently. The aim of the analysis was to identify recurring themes in how different stakeholder groups define and evaluate the health of a regional bank, including how organizational culture and regional identity shape those perceptions. The study also examines the extent of convergence and divergence between internal (e.g., managers and officers) and external (e.g., customers, regulators) viewpoints, as well as uncovering latent, non financial factors that may not be visible through conventional banking indicators. While the study does not test a formal hypothesis, it operates under the implicit proposition that stakeholder perceptions of bank health are influenced by more than financial metrics alone particularly by factors such as institutional trust, governance transparency, and the socio cultural embeddedness of the bank in the local economic ecosystem.

4. RESULTS AND DISCUSSION

This study aimed to explore stakeholder perceptions regarding the health of PT Bank Pembangunan Daerah Bali (BPD Bali) using a qualitative phenomenological approach. Drawing from interviews with internal and external stakeholders, and triangulated with official reports, the findings provide insights into how financial, managerial, cultural, and relational dimensions shape the perception of institutional soundness.

Stakeholders broadly perceive PT BPD Bali as a resilient and trustworthy institution, strongly anchored in its regulatory compliance, financial solidity, and socio regional role. This perception is not only reflected in daily interactions but is empirically validated by the bank's Composite Health Rating of 2 (Healthy), as reported in its 2024 Annual Report. The assessment follows POJK No. 4/POJK.03/2016 and SEOJK No. 14/SEOJK.03/2017, encompassing four key dimensions: Risk Profile, Governance, Profitability, and Capital each scoring a level 2 rating, confirming the bank's stability and institutional robustness. Moreover, stakeholders' sentiments mirrored this formal rating. Bank officers cited effective internal coordination and compliance mechanisms, while regulators praised the bank's ability to meet prudential standards. Customers and community partners acknowledged the bank's consistency, accessibility, and public value. The alignment between formal metrics and social perception suggests a high level of institutional legitimacy, reinforcing Ma'bad et al.'s (2024) argument that governance quality and relational trust are mutually reinforcing.

Through thematic coding and analysis, four key dimensions emerged as central to stakeholder perceptions of bank health at PT Bank Pembangunan Daerah Bali (BPD Bali). The financial dimension reflects how stakeholders despite limited engagement with technical ratios broadly interpret the bank's financial performance through observable outcomes such as service continuity and institutional stability. Quantitative indicators substantiate this perception, as BPD Bali significantly outperformed industry benchmarks in 2024. The bank recorded a Return on Assets (ROA) of 3.20%, surpassing both the BPD average of 1.76% and the national average of 2.69%. Return on Equity (ROE) stood at 21.68%, while the BOPO ratio was 66.85%, outperforming the industry average of approximately 81%. Moreover, its Net Interest Margin (NIM) reached 6.66%, well above the industry average of 4.62%, and its Capital Adequacy Ratio (CAR) was 27.45%, exceeding both the BPD average (25.77%) and national figure (26.69%). These results support the argument made by Pratiwi and Sulhan (2024) that strong profitability metrics such as ROA contribute to favorable institutional valuation and heightened stakeholder confidence.

The managerial dimension centers on internal perceptions of leadership quality, emphasizing consistency, responsiveness, and structured decision-making as critical to institutional health. BPD Bali's governance rating of 2 indicates strong adherence to Good Corporate Governance (GCG) principles, with identified weaknesses considered non-systemic. This finding reinforces the work of Ma'bad et al. (2024), who assert that sound governance frameworks significantly enhance perceived organizational integrity and stakeholder trust. The relational dimension emerged primarily through the voices of retail and MSME clients, who valued BPD Bali's personalized service and relational proximity. In contrast to larger national banks, BPD Bali is seen as more attuned to local needs, maintaining direct and enduring relationships with its clients. This dimension of relational trust often supersedes purely financial considerations in shaping the bank's public image and customer loyalty.

The cultural and institutional fit dimension reveals a deeply embedded perception that BPD Bali is "not just a bank, but a Balinese institution." Stakeholders consistently highlighted the bank's active involvement in regional ceremonies, support for traditional economic structures, and empowerment of local MSMEs. The integration of cultural values within institutional operations reinforces a powerful sense of identity, positioning the bank as both a financial entity and a steward of local heritage. This aligns with institutional theory, particularly the notion of embeddedness as a form of organizational capital, where legitimacy and stakeholder loyalty are enhanced through alignment with cultural and socio economic context.

Local dynamics significantly mediate how BPD Bali's health is perceived. First, the institutional structure, with ownership ties to regional government, engenders trust due to the perception of accountability and community stewardship. Second, cultural norms of cooperation and mutual support (gotong royong) inform customer expectations. The bank's involvement in community events and its alignment with regional economic goals, such as supporting MSMEs and cooperative credit, solidify its position as a developmental agent rather than merely a profit-seeking entity. The strategic roadmap for 2025, which includes goals related to sustainability, digital banking transformation, and strengthening its role in regional economic inclusion, reinforces this perception. As an agent of regional development, BPD Bali's vision aligns with Zebua et al. (2024)'s concept of hybrid value institutions banks that combine financial performance with socio economic missions. These contextual dynamics help explain why BPD Bali's positive perception persists even in areas where numerical performance may fluctuate. As Frederich and Syafri (2024) note, a mismatch between perception and performance can occur, but in BPD Bali's case, congruence between metrics and meaning reinforces institutional coherence and resilience.

The findings of this study affirm that stakeholder perceptions of bank health are shaped through a dynamic interplay between financial metrics, governance integrity, relational experiences, and cultural embeddedness. PT BPD Bali's case demonstrates that a strong financial foundation, while essential, is insufficient on its own. It is the synergy between institutional performance and socio cultural legitimacy that defines a bank's perceived health, especially within a regional context. These results advance previous research by integrating qualitative insights into the bank health discourse, offering a more holistic model of assessment for policy makers, regulators, and practitioners in regional banking. In doing so, this study fills a notable gap in literature that has largely prioritized technical analysis over stakeholder centric interpretations.

5. CONCLUSION

This study concludes that the health of PT BPD Bali, as perceived by stakeholders, extends beyond regulatory assessments and financial metrics to encompass relational trust, governance integrity, and socio cultural relevance. Stakeholders view the bank as a stable, well managed, and community-rooted institution whose perceived soundness is shaped by consistent service delivery, prudent risk management, and alignment with local values and regional development agendas. The findings confirm that financial soundness alone is insufficient to define institutional health, particularly for regional development banks operating within deeply embedded social and institutional ecosystems. By integrating stakeholder perspectives with formal assessment frameworks, this study contributes to a more holistic understanding of bank health that is especially relevant for policymakers, regulators, and banking institutions aiming to enhance both institutional performance and social legitimacy in regional contexts.

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