

## **ABSTRACT**

*Rural Banks (Bank Perkreditan Rakyat/BPR) play an essential role in supporting the financing of micro, small, and medium enterprises (MSMEs), particularly at the local level. As financial intermediaries, BPRs collect funds from the public and redistribute them in the form of loans, thereby fostering regional economic growth. In Central Java Province, BPR credit distribution showed an increasing trend from 2019 to 2023. However, this positive trend requires further analysis, as loan distribution is strongly influenced by internal bank conditions such as capital adequacy, profitability, and governance.*

*This study aims to examine the influence of the Capital Adequacy Ratio (CAR), Return on Assets (ROA), and Independent Commissioners on loan distribution by BPRs in Central Java. The study seeks to fill the research gap from previous studies that have yielded inconsistent results regarding the effects of these variables on credit distribution.*

*A quantitative research method with a descriptive approach was applied. The study population comprised all BPRs operating in Central Java between 2019 and 2023. The sample was determined through purposive sampling, resulting in 12 BPRs meeting the criteria. Secondary data were obtained from annual financial reports published by the Financial Services Authority (OJK). Data analysis was conducted using panel data regression to examine the effect of independent variables on the dependent variable.*

*The results reveal that CAR, ROA, and Independent Commissioners jointly have a significant effect on loan distribution. Partially, CAR has a significant negative effect, ROA has a significant positive effect, and Independent Commissioners have no significant effect. These findings indicate that internal financial performance is more dominant in influencing loan distribution compared to structural oversight.*

*This study is expected to serve as a reference for BPRs in strengthening internal performance, a basis for evaluation by regulators, and a consideration for customers in choosing healthy and productive BPRs. Future research is suggested to include additional variables such as Non-Performing Loans (NPL), Operating Efficiency Ratio (BOPO), and macroeconomic factors to expand the scope of analysis and provide a more comprehensive understanding.*

**Keywords:** *Capital Adequacy Ratio, Credit Distribution, Independent Commissioners, Return On Assets, Rural Banks*