



FACTORS AFFECTING THE PROFITABILITY LEVEL (STUDY ON BUKU 3 CONVENTIONAL COMMERCIAL BANKS REGISTERED WITH THE FINANCIAL SERVICES AUTHORITY)

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Abstract: This research aims to test the influence of Third-party Funds (DPK), Capital Adequacy Ratio (CAR), Operational Income Operating Costs (BOPO), Loan to Deposit Ratio (LDR), and Non-Performing Loan (NPL) on the Profitability (ROA) at Conventional Commercial Banks Books 3 which are listed on Financial Services Authority (OJK) 2014-2018 period. This research is using the purposive sampling technique to collect data population from financial reports Conventional Commercial Banks Books 3 which are listed on OJK 2014-2018 period with the number of samples used were 16 banks. The data were analyzed using panel data regression using the fixed effect model. Hypothesis testing uses F-test statistic, coefficient of determination test (R^2), and t-test statistic. The results showed that simultaneously of the five independent variables studied, significant impact on ROA. And partially of the five independent variables studied, there are two independent variables that negative and significant influence on ROA namely BOPO and NPL. While three independent variables do not positive and do not significantly affect ROA namely DPK, CAR, and LDR. The Contribution of all independent variables is 89,7125% and the rest of the value 10,2875% can be explained by another variable outside this research model.

Keywords: Third-Party Funds (DPK), Capital Adequacy Ratio (CAR), Operational Income Operating Costs (BOPO), Loan to Deposit Ratio (LDR), Non-Performing Loan (NPL), and Profitability (ROA).

INTRODUCTION

The growing global economy causes the Indonesian economy to blend in with regional and international economies. The development of the Indonesian economy also cannot be separated from the important role of the banking industry. Currently, the dynamics of competition in the banking industry in Indonesia are very high (Nugroho and Sihite, 2016).

The financial and banking sectors of ASEAN countries will begin to be integrated in 2020, this integration is one of the agreements between ASEAN countries in the implementation of the ASEAN stump market, the ASEAN Economic Community (AEC) / ASEAN Economic Community (MEA). This integration allows banks with certain qualifications (Qualified ASEAN Banks) to be entitled to send their three banking institutions and is free to operate their business activities in the ASEAN region (Suharyadi and Sumarto, 2017). This statement was reinforced by the press release

of Bank Indonesia and the Financial Services Authority No.16/103/DK0m and No.SP-58/DKNS/OJK/12/2014 entitled "Indonesia Agrees to Support ASEAN Banking Integration" which was published on 31 December 2014.

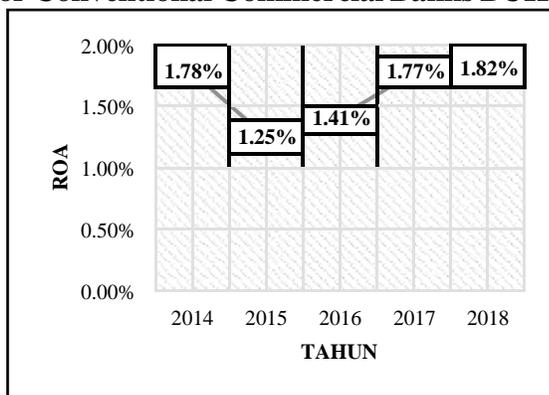
Indonesian banks that can operate freely in the ASEAN region need to open a network of bank offices. And to fulfill this, banks must have strong and adequate finances in terms of the availability of core capital allocation funds. This shows that in addition to having to meet certain qualification requirements (Qualified ASEAN Banks), the bank must also meet the requirements set by the regulator in Indonesia, namely that it must come from a bank whose business activities are adjusted to its core capital, or commonly referred to as BUKU (Bank of Indonesia). General based on Business Activities).

Based on this, the Bank can only conduct Business Activities and have an Office Network by its Core Capital. And based on the core capital owned, banks are grouped into 4 BUKU, namely BUKU 1 (Banks with Core Capital of up to less than 1 trillion rupiahs), BUKU 2 (Banks with Core Capital of 1 trillion up to less than 5 trillion rupiahs), BUKU 3 (Banks with Core Capital of 5 trillion to less than 30 trillion rupiahs), and BUKU 4 (Banks with Core Capital of more than 30 trillion rupiahs).

In the case of opening a network of bank offices abroad to be able to freely operate business activities in the ASEAN region, BUKU 3 is one of the BUKUs determined by the regulator in Indonesia to be able to open a network of bank offices abroad, as stated in the Copy of the Regulation of the Financial Services Authority No.6/POJK.03/2016 Chapter III Article 18 concerning Business Activities and Office Networks based on Bank Core Capital. Therefore, BUKU 3 was used in this study.

According to Husnan and Pudjiastuti (2015) in their book entitled "Fundamentals of Financial Management" explains that the profitability ratio that is often used is Return on Assets (ROA). Research conducted by Pardede and Pangestuti (2016) states that to see the ability of a company to create profits from its assets, it can use profitability which is generally measured by ROA. The same thing is stated in research conducted by Hardiyanti, Febriatmoko, and Wulandari (2016), Audina, D (2018), Kunarsih, Andini, and Suprijanto (2018) that ROA can be used to measure profitability. This study strengthens the research of Firmansyah, A (2013) which states that ROA is chosen as a measure of bank profitability performance because ROA can measure the effectiveness of the company in obtaining profits by using its assets.

Figure 1
ROA Ratio for Conventional Commercial Banks BUKU 3 2014-2018



Source: Indonesian Banking Statistics 2017 and 2018.

The graph shows that the ROA ratio of BUKU 3 Conventional Commercial Banks in 2014 can still be said to be good. Meanwhile, in the following year, 2015 there was a decrease in the ROA ratio from 1.78% to 1.25%. And for 2016 there was a relatively good increase in the ROA ratio, which was 1.41%. Then followed for the following years, namely 2017 and 2018, where the ROA ratio again experienced a relatively good increase to 1.77% and 1.82%. Overall, there are still inconsistencies in the achievement of the ROA ratio of Conventional Commercial Banks BUKU 3 even though the achievement of the ROA ratio can be said to be good. Based on the ROA ratio data, the author needs to know what factors affect ROA. And research on bank financial performance using ROA is not a new method and has been done quite a lot before.

LITERATURE REVIEW

Bank

According to Law Number 10 of 1998 Chapter I Article I, the definition of a bank is "a business entity that collects funds from the public in the form of savings and distributes them to the public in the form of credit and or other forms in order to improve the standard of living of the people at large".

Core Capital

Based on a copy of the Financial Services Authority Regulation No.6/POJK.03/2016 Chapter I Article I Paragraph (2) letters a and b concerning Business Activities and Office Networks based on the Bank's Core Capital, core capital is "for a Bank incorporated as an Indonesian legal entity, capital core as referred to in the provisions governing the minimum capital adequacy requirement; or for a branch office of a Bank domiciled abroad, it is a business fund that has been allocated as Capital Equivalency Maintained Asset (CEMA) as referred to in the provisions governing the minimum capital adequacy requirement". And in Chapter I Article I Paragraph (4) explains that Commercial Banks based on Business Activities (BUKU) are "grouping of banks based on Business Activities adjusted to Core Capital owned".

Bank Grouping by BUKU

Banks can only conduct business activities and have an office network according to their core capital. And based on the core capital owned, banks are grouped into 4 (four) BUKUs, namely BUKU 1 (Banks with Core Capital up to less than 1 trillion rupiahs), BUKU 2 (Banks with Core Capital of 1 trillion up to less than 5 trillion rupiahs) , BUKU 3 (Banks with Core Capital of 5 trillion to less than 30 trillion rupiahs), and BUKU 4 (Banks with Core Capital of more than 30 trillion rupiahs).

Banking Financial Performance

Based on the Decree of the Minister of Finance of the Republic of Indonesia No.740/KMK.00/1989, it is stated that performance is an achievement achieved by banks in a certain period which reflects the soundness of banking. And according to Rosdiana, R (2019), a healthy bank is a bank that can maintain and maintain public trust, can carry out its intermediation function, can help smooth payments that can be used by the Government in carrying out its duties broadly, especially in terms of monetary policy. According to Kasmir (2018), financial performance is a description of the company's condition. The condition of the company in question is the financial condition of the company on a certain date (for the balance sheet) and a certain period (for the income statement).

Profitability

According to Husnan and Pudjiastuti (2015) profitability is the ability of a company to generate profits from its sales, from assets or from its equity. And according to Hanafi, M.M (2016) in his book entitled "Financial Management" profitability is the ability of a company to

create profits at a certain level of sales, assets, and capital. Where one of the ratios used as a measure of profitability is Return on Assets (ROA). Meanwhile, according to Kasmir (2018) in his book entitled "Financial Statement Analysis" the profitability ratio is a ratio to assess or measure the ability of a company to seek profit by providing a measure of the level of management effectiveness of a company in a certain period.

Return on Assets (ROA)

According to Husnan and Pudjiastuti (2015) ROA is an analytical tool in calculating the amount of net income generated against the total assets of the company. Meanwhile, according to Hanafi, M.M (2016) ROA is an analytical tool that functions to assess or measure the ability of a company to create net income based on the level of certain assets / assets owned. The formula for ROA is:

$$\text{ROA} = \frac{\text{Profit Before Tax}}{\text{Total Assets}} \times 100\%$$

The higher the value generated from the ROA ratio, the greater the profit obtained, thus reflecting the bank's good financial performance. Achieving a high ROA ratio shows the efficiency and effectiveness of managing total assets owned. According to Audina, D (2018), one of the ratios of profitability that is often used and is able to show the company's success in earning profits is ROA. And Bank Indonesia sets the minimum standard for a bank's ROA value so that it can be said to be healthy, which is 1.5% (Indriani, R., 2018).

Third Party Funds (TPF)

In accordance with Bank Indonesia Regulation No.15/15/PBI/2013 Chapter I Article I Paragraph (4) concerning Statutory Reserves for Commercial Banks in Rupiah and Foreign Exchange for Conventional Commercial Banks, TPF is a bank's obligation to residents and non-residents in the form of rupiah. and foreign exchange. Included in DPK are demand deposits, savings, time deposits. How to calculate TPF, namely:

$$\text{TPF} = \frac{\text{Third Party Funds}}{\text{Total Liabilities}} \times 100\%$$

Capital Adequacy Ratio (CAR)

Based on the Circular Letter of Bank Indonesia No.3/30/DPNP dated December 14, 2001, it is explained that CAR is the capital adequacy ratio which functions to calculate capital to Risk Weighted Assets (RWA). According to Kasmir (2018), CAR is a ratio that in its use must know in advance the magnitude of the estimated risk that will occur in granting credit and in trading securities. Bank Indonesia sets a minimum standard for capital adequacy, which is a minimum of 8% (Sarwoko, 2009). The formula of the CAR is:

$$\text{CAR} = \frac{\text{Total Capital}}{\text{ATMR}} \times 100\%$$

Operating Costs Operating Income (BOPO)

In accordance with the Copy of POJK NO.6/POJK.03/2016 Chapter III Article 21 paragraph (2) concerning Business Activities and Office Networks based on Bank Core Capital, BOPO is the profitability ratio used to measure the achievement of banking efficiency levels by comparing operating expenses to operating income . The ideal BOPO is 70% -80% (Nainggolan, 2009). The smaller the value of the resulting BOPO ratio, the more efficient the financial performance of the banking company will be. The formula for BOPO is:

$$\text{BOPO} = \frac{\text{Total Operating Expenses}}{\text{Total Operating Income}} \times 100\%$$

Loan to Deposit Ratio (LDR)

In accordance with PBI No.15/15/PBI/2013 Chapter I Article I Paragraph (8) concerning Statutory Reserves for Commercial Banks in Rupiah and Foreign Exchange for Conventional Commercial Banks, LDR is an indicator / ratio of bank liquidity originating from loans extended to

third parties (excluding loans to other banks) to third party funds which include demand deposits, savings and time deposits (excluding current accounts and interbank deposits) in rupiah and foreign currencies.

Meanwhile, according to Kasmir (2018), LDR is a ratio that functions to assess or measure the composition of the amount of credit (loans) given to the amount of public funds and own capital used. According to PBI No.17/11/PBI/2015, the minimum (lower) limit for the LDR ratio is 78%, while the maximum (upper) limit for the LDR ratio is 92%. A good LDR is 78%-92%. If it exceeds 92%, the higher the liquidity risk that will be faced by the bank. And the LDR formula is:

$$LDR = \frac{\text{Total Credit}}{\text{Total Third Party Funds}} \times 100\%$$

The higher the value generated from the LDR ratio as long as it does not exceed the maximum limit, the better the financial performance of a bank. With the LDR condition, there will be more third party funds that can be channeled in the form of credit so that it will provide income in the form of greater interest, which in turn can increase profitability.

Non-Performing Loans (NPL)

Based on a copy of POJK No.15/POJK.03/2017 Chapter I Article 3 Paragraph (2) letter d concerning Status Determination and Follow-Up Supervision of Commercial Banks, non-performing loans (NPLs) are loans with substandard, doubtful and bad quality based on the provisions of the regulations legislation regarding asset quality assessment of Commercial Banks. The NPL formula is:

$$NPL = \frac{\text{Total Non !performing Loans}}{\text{Total Loans Granted}} \times 100\%$$

The non-performing loan ratio as measured by the NPL ratio is 5% of total loans. The higher the NPL, the greater the non-performing loans of the bank which reflects the poorer quality of the bank's health. The higher NPL indicates that the Bank is not able to find qualified prospective debtors, which causes a decrease in profits to be received by the bank, so that in the end it will adversely affect the financial performance of the bank. The ideal NPL is a declining NPL.

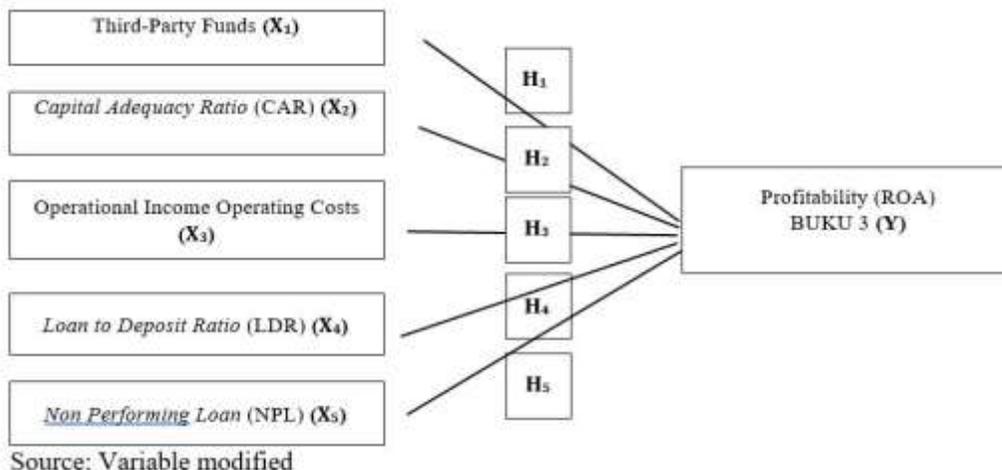


Figure 2.1 Framework

- H_1: Third Party Funds (TPF) have a significant positive effect on the profitability (ROA) of BUKU 3 Conventional Commercial Banks.
- H_2: Capital Adequacy Ratio (CAR) has a significant positive effect on the profitability (ROA) of Conventional Commercial Banks BUKU 3.
- H_3: Operating Expenses Operating Income (BOPO) has a significant negative effect on the profitability (ROA) of Conventional Commercial Banks BUKU 3.
- H_4: Loan to Deposit Ratio (LDR) has a significant positive effect on the profitability (ROA) of BUKU 3 Conventional Commercial Banks.
- H_5: Non-Performing Loans (NPL) have a significant negative effect on the profitability (ROA) of BUKU 3 Conventional Commercial Banks.

RESEARCH METHODS

Research Time and Place

This research began in September 2019 with the object of research namely Conventional Commercial Banks in Indonesia based on business activities or commonly referred to as BUKU. This study uses secondary data obtained through the Bank's Quarterly Publication Reports published by OJK on its official website www.ojk.go.id. OJK was chosen as the research location because OJK is the only independent institution which since December 31, 2013 has replaced the duties and functions of Bank Indonesia in regulating and supervising banking. This study uses the 2014-2018 period. The election was in 2014 because that was the year Indonesia agreed to support the integration of ASEAN banking, which was the background for the research conducted by the author.

Population and Research Sample

The population of this study is all conventional commercial banks operating in Indonesia and registered with the OJK during the 2014-2018 period with a total of 149 conventional commercial banks. The sample selection technique was carried out based on the purposive sampling method according to certain characteristics / criteria possessed by the sample.

Data Collection Method

This study uses archival data collection techniques, namely data collection techniques or materials by reviewing literature, journals, literature studies, articles and other sources to obtain a theoretical basis related to the object of research. This study also uses secondary data in the form of bank financial statements, where all required data is obtained from Bank Publication Reports published by OJK on its official website (www.ojk.go.id), and the data used is Bank Quarterly Publication Report data in the period December reporting for each year, which was obtained during the 2014-2018 period. The author also uses circulars and regulations from Bank Indonesia or OJK to strengthen the discussion material, then uses Microsoft Excel to summarize the data and create tables/figures.

FINDINGS AND DISCUSSION

Panel Data Regression Analysis Results

Selection of Panel Data Regression Model

1. Chow test

Table 2. Chow test

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	12.296379	(15,59)	0.0000
Cross-section Chi-square	113.388515	15	0.0000

Source: Eviews 9 (2020) Data Processing Results

Based on table 4.5, the results show that the probability values of F and prob. Cross-section Chi-square is 0.0000. Prob results. < significant alpha 5%. This shows that H₀ is rejected and H₁ is accepted, which means that the correct model used for panel data regression is Fixed effect.

2. Hausman test

Table 3. Hausman test

Hausman test

Correlated Random Effects - *Hausman Test*
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	15.826679	5	0.0074

Source: Eviews 9 (2020) Data Processing Results

Based on table 4.6, the results show that prob. Random cross-section of 0.0074. Prob results. < significant alpha 5%. This shows that H₀ is rejected and H₁ is accepted, which means that the correct model used for panel data regression is Fixed Effect. So, the results of the model selection with the Chow test and Hausman test, Fixed Effect Model is the best model for panel data regression in this study.

Classic Assumption Test Results

1. Normality test

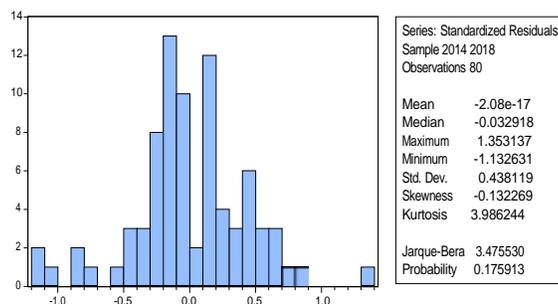


Figure 2. Normality test

Source: Eviews 9 (2020) Data Output Results

Based on the normality test, the results obtained prob. of 0.175913. The result of jarque-falla probability $> 5\%$ significant alpha. This shows that H_0 is accepted, which means that the selected regression model is normally distributed.

2. Multicollinearity Test**Table 4. Multicollinearity Test**

	DPK	CAR	BOPO	LDR	NPL
DPK	1.000000	-0.594108	0.550653	-0.904731	0.367966
CAR	-0.594108	1.000000	-0.541298	0.686231	-0.223367
BOPO	0.550653	-0.541298	1.000000	-0.605595	0.476464
LDR	-0.904731	0.686231	-0.605595	1.000000	-0.373471
NPL	0.367966	-0.223367	0.476464	-0.373471	1.000000

Source: Eviews 9 (2020) Data Processing Results

Based on the results of the multicollinearity test in table 4.7, the correlation values of each independent variable are TPF, CAR, BOPO, LDR, and NPL < 0.85 . This shows that the selected regression model does not indicate a multicollinearity problem.

3. Heteroscedasticity Test**Table 5. Heteroscedasticity Test**

Heteroskedasticity Test: White

F-statistic	0.893059	Prob. F (5,71)	0.4906
Obs*R-squared	4.556103	Prob. Chi-Square (5)	0.4724
Scaled explained SS	12.76121	Prob. Chi-Square (5)	0.0257

Test Equation:

Dependent Variable: RESID²

Method: Least Squares

Date: 07/07/20 Time: 17:41

Sample: 2 80

Included observations: 77

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.019908	3.274230	-0.616911	0.5393
NLOGDPK ²	-0.067979	0.191007	-0.355898	0.7230
NLOGCAR ²	0.061001	0.121267	0.503032	0.6165
NLOGBOPO ²	0.265678	0.186228	1.426628	0.1581
NLOGLDR ²	0.043141	0.122858	0.351142	0.7265
NLOGNPL ²	0.195994	0.195324	1.003430	0.3191

R-squared	0.059170	Mean dependent var	0.359627
Adjusted R-squared	-0.007085	S.D. dependent var	0.929152
S.E. of regression	0.932438	Akaike info criterion	2.772691
Sum squared resid	61.73031	Schwarz criterion	2.955325
Log likelihood	-100.7486	Hannan-Quinn criter.	2.845743
F-statistic	0.893059	Durbin-Watson stat	1.960781
Prob(F-statistic)	0.490551		

Source: Eviews 9 (2020) Data Processing Results

Based on the results of the heteroscedasticity test in table 4.8 with the white method, it is found that the probability value of chi square in Obs*R-squared is 0.4724. The result of chi square probability on Obs*R-squared > 5% significant alpha. This shows that H₀ is accepted, which means that the selected regression model has no heteroscedasticity problem.

Model Feasibility Test Results

Table 7. Panel Data Regression Analysis Fixed Effect Model

Dependent Variable: ROA

Method: Panel Least Squares

Date: 07/05/20 Time: 20:41

Sample: 2014 2018

Periods included: 5

Cross-sections included: 16

Total panel (balanced) observations: 80

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.752597	1.368137	7.128379	0.0000
DPK	-0.009866	0.011007	-0.896323	0.3737
CAR	0.023556	0.019707	1.195287	0.2368
BOPO	-0.084884	0.007888	-10.76124	0.0000
LDR	-0.003477	0.002367	-1.469084	0.1471
NPL	-0.118152	0.049437	-2.389945	0.0201

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.923170	Mean dependent var	1.910000
Adjusted R-squared	0.897125	S.D. dependent var	1.305482
S.E. of regression	0.418721	Akaike info criterion	1.317288
Sum squared resid	10.34432	Schwarz criterion	1.942570
Log likelihood	-31.69153	Hannan-Quinn criter.	1.567982
F-statistic	35.44626	Durbin-Watson stat	2.371043
Prob(F-statistic)	0.000000		

Source: Eviews 9 (2020) Data Processing Results

F Statistic Test

Based on table 4.10 the prob value. F-Statistic = 0.000000, where the value of prob. F-Statistic < significant alpha 5%. This shows that H₀ is rejected and H₁ is accepted, which means that all independent variables (DPK, CAR, BOPO, LDR and NPL) simultaneously have a significant effect on the dependent variable ROA. Thus, the model formed is feasible to interpret the influence of the independent variable on the dependent variable.

Coefficient of Determination Test

Based on table 4.10, it can be seen that the value of Adjusted R-squared = 0.897125. These results indicate that the independent variables TPF, CAR, BOPO, LDR and NPL can have an effect on the dependent variable ROA of 89.7125%. While the remaining 10.2875% is influenced by other variables outside the model that do not exist in this study.

1. H₁: Third Party Funds (TPF) have a significant positive effect on the profitability (ROA) of BUKU 3 Conventional Commercial Banks.

The results obtained in the form of t-statistics of -0.896323 and probability of 0.3737 while the t-table value of 1.66571. T-count value < t-table (-0.896323 < 1.66571) and probability value > significant alpha (0.3737 > 0.05), meaning that H₀ is accepted or TPF has no positive and

insignificant effect on ROA. Based on the test results, the hypothesis in this study was rejected.

2. H₂: Capital Adequacy Ratio (CAR) has a significant positive effect on the profitability (ROA) of Conventional Commercial Banks BUKU 3.

The results obtained in the form of a t-statistic of 1.195287 and a probability of 0.2368 while the t-table value of 1.66571. T-count value < t-table (1.195287 < 1.66571) and probability value > significant alpha (0.2368 > 0.05), meaning that H₀ is accepted or CAR has no positive and insignificant effect on ROA. Based on the test results, the hypothesis in this study was rejected.

3. H₃: Operating Expenses Operating Income (BOPO) has a significant negative effect on the profitability (ROA) of Conventional Commercial Banks BUKU 3.

The results obtained in the form of a t-statistic of -10.76124 and a probability of 0.0000 while the t-table value of 1.66571. T-count value < t-table (-10.76124 < 1.66571) and probability value < significant alpha (0.0000 < 0.05), meaning that H₀ is rejected or BOPO has a negative and significant effect on ROA. Based on the test results, the hypothesis in this study was accepted.

4. H₄: Loan to Deposit Ratio (LDR) has a significant positive effect on the profitability (ROA) of BUKU 3 Conventional Commercial Banks.

The results obtained are t-statistics of -1.469084 and probability of 0.1471 while the t-table value is 1.66571. T-count value < t-table (-1.469084 < 1.66571) and probability value > significant alpha (0.1471 > 0.05), meaning that H₀ is accepted or LDR has no positive and insignificant effect on ROA. Based on the test results, the hypothesis in this study was rejected.

5. H₅: Non-Performing Loans (NPL) have a significant negative effect on the profitability (ROA) of BUKU 3 Conventional Commercial Banks.

The results obtained in the form of t-statistics of -2.389945 and probability of 0.0201 while the t-table value of 1.66571. The value of t-count < t-table (-2.389945 < 1.66571) and probability value < significant alpha (0.0201 < 0.05), meaning that H₀ is rejected or NPL has a negative and significant effect on ROA. Based on the test results, the hypothesis in this study was accepted.

Discussion

The regression equation for the Fixed Effect Model based on table 4.10 is:

$$\text{ROA} = 9.752597 - 0.009866 \text{ TPF} + 0.023556 \text{ CAR} - 0.084884 \text{ BOPO} - 0.003477 \text{ LDR} - 0.118152 \text{ NPL}$$

Based on these equations, it can be interpreted the model which has the following meanings:

- 1) The constant value for the regression equation is 9.752597, meaning that if the independent variable is considered = 0 then the value of the dependent variable (ROA) is 9.752597.
- 2) TPF regression coefficient value of -0.009866 indicates that for every additional 1 TPF unit, ROA will decrease by 0.009866 assuming the other independent variables are constant values.
- 3) The CAR regression coefficient value of 0.023556 indicates that for every additional 1 unit of CAR, the ROA will increase by 0.023556 assuming the other independent variables are constant.
- 4) BOPO regression coefficient value of -0.084884 indicates that for every addition of 1 BOPO unit, ROA will decrease by 0.084884 assuming the other independent variables are constant values.

- 5) The LDR regression coefficient value of -0.003477 indicates that for every additional 1 LDR unit, the ROA will decrease by 0.003477 assuming the other independent variables are constant values.
- 6) The value of the NPL regression coefficient is -0.118152, indicating that for every additional 1 unit of NPL, the ROA will decrease by 0.118152 assuming the other independent variables are constant.
- 7)

Effect of TPF on ROA

Based on the results of the t-test in this study, it showed that TPF had no positive and insignificant effect on ROA. That is, the increase or decrease in TPF during the study period does not affect the total profitability. The results of this study differ from the proposed hypothesis because the Bank in carrying out its intermediation function occurs an imbalance between the number of sources of funds that the Bank has collected from third parties and the number of loans disbursed by the Bank to other third parties. The higher the source of funds that the Bank has managed to collect but if it is not balanced with the high number of loans disbursed, then the

Bank's profitability will be hampered and in the end the Bank will suffer losses. This occurs because the interest income obtained from the disbursed loans is not sufficient to cover the interest costs that the Bank must pay to pay to depositors. The conclusion of the research on the effect of TPF on ROA supports the research conducted by Handayani, P (2019) which shows that TPF has no significant effect on ROA.

Effect of CAR on ROA

Based on the results of the t-test in this study, it shows that CAR has no positive and insignificant effect on ROA. That is, the increase or decrease in CAR during the study period does not affect the total profitability. The results of this study differ from the proposed hypothesis because in fact CAR does not have a significant effect on the profitability of the bank. This can happen because Bank Indonesia sets a minimum standard of capital adequacy, which is 8% so that the owner of the Bank adds fresh money as additional capital for the Bank with the aim that CAR can meet the minimum standards set and does not seek to make the capital able to have a significant influence on the profitability of the Bank. that. On the other hand, the banking business is a business that prioritizes the trust of its customers, so as long as the public or its customers believe in the credibility of the Bank, the minimum standard of capital adequacy of 8% will not affect the profitability of the Bank. The conclusion of the research on the effect of CAR on ROA supports research conducted by Parenrengi and Hendratni (2018), Fajari and Sunarto (2017), Harun, U (2016), and Firmansyah, A (2013) which states that CAR has no effect on ROA.

Effect of BOPO on ROA

Based on the results of the t-test in this study, it shows that BOPO has a negative and significant effect on ROA. This means that the greater the number of BOPO of a bank, the profitability of the bank will decrease. So if the BOPO of a bank is getting bigger, it will show that the bank has not been able to perform efficiency so that it will hinder the bank from making a profit. The higher the value of the BOPO ratio, the lower the level of profit that will be achieved by the bank. Vice versa, the lower the value of the BOPO ratio, the more efficient the bank's performance will be, which in turn will increase the bank's ability to earn profits. The conclusion of research results regarding the effect of BOPO on ROA supports research conducted by Fajari and Sunarto (2017), Hardiyanti et al. (2016), Harun, U (2016), Khoirunnisa et al. (2016), and Firmansyah, A (2013) which shows that BOPO has a significant negative effect on ROA.

Effect of LDR on ROA

Based on the results of the t-test in this study, it showed that LDR had no positive and

insignificant effect on ROA. That is, the increase or decrease in LDR during the study period does not affect the total profitability. The results of this study differ from the proposed hypothesis because a larger LDR condition in one period will not necessarily increase the profitability of the bank. Another reason is because LDR is a source of bank liquidity. Banks with large loans indicate that the amount of loans that can be disbursed is also large. However, if the amount of loan that can be disbursed is not balanced with the inflow of funds or withdrawal of funds made by the customer, it will certainly endanger the condition of the Bank. Therefore, the Bank will maintain the condition of its LDR so that it is not too big and not too small. The conclusion of the research results regarding the effect of LDR on ROA supports research conducted by Wityasari and Pangestuti (2014) which shows that LDR has no significant effect on ROA.

Effect of NPL on ROA

Based on the results of the t-test in this study, it shows that NPL has a negative and significant effect on ROA. This means that the higher the NPL value, the profitability of the Bank will decrease. This is because NPL is credit with substandard, doubtful and bad quality. Thus, the higher the NPL, the greater the non-performing loans in a bank which reflects the poorer quality of the bank's health. The higher NPL indicates that the bank is unable to find qualified prospective debtors, which causes a decrease in profits so that in the end it will adversely affect the bank's financial performance. The conclusion of the research results regarding the effect of NPL on ROA supports research conducted by Indarti (2018) which shows that NPL has a significant negative effect on ROA.

CONCLUSION AND RECOMMENDATION

Conclusion

This study was conducted with the aim of knowing whether TPF, CAR, BOPO, LDR and NPL can affect ROA of BUKU 3 Conventional Commercial Banks registered with OJK for the period 2014-2018. Based on the previous chapters that have been made, the following conclusions can be drawn:

- 1) The results show that Third Party Funds (TPF) have no positive and insignificant effect on Profitability (ROA) at BUKU 3 Conventional Commercial Banks registered with OJK for the 2014-2018 period. A negative value in the TPF regression coefficient indicates that TPF is in the opposite direction to ROA. Which means, if DPK increases, ROA will decrease.
- 2) The results of the study show that the Capital Adequacy Ratio (CAR) has no positive and insignificant effect on Profitability (ROA) at BUKU 3 Conventional Commercial Banks registered with OJK for the 2014-2018 period. A positive value in the CAR regression coefficient indicates that CAR is in line with ROA. Which means, if CAR increases, ROA will increase.
- 3) The results of the study show that Operating Income (BOPO) has a negative and significant effect on Profitability (ROA) at BUKU 3 Conventional Commercial Banks registered with OJK for the 2014-2018 period. A negative value in the BOPO regression coefficient indicates that BOPO is in the opposite direction to ROA. Which means, the higher the BOPO value, the lower the ROA that will be achieved by a bank.
- 4) The results of the study show that the Loan to Deposit Ratio (LDR) has no positive and insignificant effect on Profitability (ROA) at BUKU 3 Conventional Commercial Banks registered with OJK for the 2014-2018 period. A negative value in the LDR regression coefficient indicates that the LDR is in the opposite direction to ROA. Which means, if the LDR increases, the ROA will decrease.
- 5) The results of the study show that Non-Performing Loans (NPL) have a negative and

significant effect on Profitability (ROA) at BUKU 3 Conventional Commercial Banks registered with OJK for the 2014-2018 period. The negative value of the NPL regression coefficient indicates that the NPL is in the opposite direction to ROA. Which means, the higher the NPL value, the lower the ROA.

Suggestions

Based on the results of the research that has been done, there are several suggestions that can be considered for several parties, including:

1) For Banking Parties

For banks, it is expected to be able to maintain a balance between the financial ratios of TPF, CAR, BOPO, LDR, and NPL in accordance with the provisions and regulations set by Bank Indonesia. The results showed that BOPO and NPL had a negative and significant effect on ROA. These two variables are variables that greatly influence the profitability of banks and it is hoped that banks can suppress BOPO and NPL so that they do not increase. This is because if the bank's BOPO and NPL increase, the bank's ROA will automatically decrease. Vice versa, if the BOPO and NPL of the banking sector decrease, the ROA of the bank will

automatically increase. With the lower BOPO and NPL, banking performance will be more efficient, which in turn will increase the ability of banks to earn profits.

2) For Further Research

For further research, it is expected to add other independent variables, which may have an influence on banking profitability. And it is also hoped that further research can increase the number of samples that will be used in the study, either by adding the number of observation periods or making changes to the criteria in determining the sample.

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