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The Influence Of Bank Health Ratio On Profitability In PT. Bank SULSELBAR Makassar, Indonesia

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ABSTRAK

Penelitian ini bertujuan untuk menguji pengaruh *Capital Adequacy Ratio* (CAR), *Non Performing Loan* (NPL), *Loan to Deposit Ratio* (LDR), dan Biaya Operasional/Pendapatan Operasional (BOPO) terhadap *Return On Equity* (ROE). Data yang digunakan adalah publikasi laporan triwulan PT. Bank Sulselbar sejak tahun 2010 sampai dengan 2017. Dari hasil uji F yang dilakukan menunjukkan bahwa *Capital Adequacy Ratio* (CAR), *Non Performing Loan* (NPL), *Loan to Deposit Ratio* (LDR), dan Biaya Operasional/Pendapatan Operasional (BOPO) berpengaruh secara simultan terhadap *Return On Equity* (ROE). Sedangkan berdasarkan uji t variabel CAR dan LDR berpengaruh positif tidak signifikan terhadap ROE, variabel NPL berpengaruh negatif dan signifikan terhadap ROE, dan variabel BOPO berpengaruh negatif dan tidak signifikan terhadap ROE. Koefisien Determinasi menunjukkan bahwa dalam model regresi sebesar 42,6% perubahan variabel ROE disebabkan oleh keempat variabel yang diteliti, sedangkan sisanya 57,4% dipengaruhi oleh faktor lain yang tidak dimasukkan ke dalam model penelitian.

Kata Kunci : *Rasio Kesehatan Bank, Profitabilitas*

ABSTRACT

This study aims to examine the effect of Capital Adequacy Ratio (CAR), Non Performing Loans (NPL), Loan to Deposit Ratio (LDR), and Operational Costs/Operating Income (BOPO) on Return On Equity (ROE). The data used is the publication of quarterly reports of PT. Bank Sulselbar from 2010 to 2017. From the results of the F test conducted it shows that the Capital Adequacy Ratio (CAR), Non Performing Loans (NPL), Loan to Deposit Ratio (LDR), and Operational Expenses/Operating Income (BOPO) have a significant effect simultaneously on Return On Equity (ROE). Meanwhile, based on the t test the CAR and LDR variables had a positive but not significant effect on ROE, the NPL variable had a negative and significant effect on ROE, and the BOPO variable had a negative and insignificant effect on ROE. The coefficient of determination shows that in the regression model 42.6% of the change in the ROE variable is caused by the four variables studied, while the remaining 57.4% is influenced by other factors not included in the research model.

Keywords: *Bank Health Ratio, Profitability*

A. INTRODUCTION

Bank is a form of financial institution that seeks profit for its survival and existence in society. To maintain its existence, the main thing that must be considered is the level of quality of performance. The bank's financial performance is a picture of the financial condition of a bank which is analyzed by means of financial analysis, so that it can be known about the good and bad of the bank's financial condition which reflects work performance in a certain period. Banking companies have different characteristics, where the financial ratios are more related to the soundness of the bank. The health of the banking system is very important because the health of a bank can have an impact on public confidence in using the bank, especially for commercial banks which are very dependent on the community because the bank's income

comes from public savings funds and public loan funds. Bank Indonesia has issued Bank Indonesia Circular No. 6/23/DPNP dated 31 May 2004 which regulates the procedures for assessing the soundness level of commercial banks carrying out conventional business activities in Indonesia. To assess the soundness of a bank, it can be measured by various methods (Kasmir, 2011). States that one of the tools to measure the health of a bank is CAMEL analysis. The aim is to find out the actual condition of the bank whether it is in good health, unhealthy or maybe unhealthy.

CAMELS ratio analysis, which is an analysis of bank finance and a bank performance measurement tool established by Bank Indonesia, including the Capital aspect, Asset aspect, Management aspect, Earning aspect, Liquidity aspect. , and the aspect of Sensitivity to Market Risk. CAMELS analysis is used to analyze and evaluate the financial performance of commercial banks in Indonesia. According to this analysis, several factors that influence a bank's health performance can be measured using the ratios of Capital Adequacy Ratio (CAR), Non-Performing Loans (NPL), Loan to Deposit Ratio (LDR), and Operational Expenses/Operating Income (BOPO). Capital Adequacy Ratio (CAR), is an indicator of a bank's ability to cover a decrease in its assets as a result of bank losses caused by risky assets. Non-Performing Loans (NPL) or often called non-performing loans can be interpreted as loans that experience repayment difficulties due to intentional factors and or due to external factors beyond the ability of the debtor to control (As, 2010). Loan to Deposit Ratio (LDR), states how far the bank has used depositors' money to provide loans to its customers (Pandia, 2012: 128). Meanwhile, Operational Costs/Operating Income (BOPO), is a comparison or ratio of operating costs for the last 12 months to operating income in the same period (Hasibuan, 2014).

Profitability is the most important indicator to measure the performance of a bank. According to (Kasmir, 2011), the profitability ratio or profitability ratio is a ratio for assessing a company's ability to make a profit. The ratio commonly used to measure a bank's profitability performance is Return on Equity (ROE). According to (Kasmir, 2013), Return On Equity (ROE) is a ratio for measuring net profit after tax with own capital. This ratio shows the efficient use of own capital. The higher this ratio, the better. That is, the position of the owner of the company is getting stronger, and vice versa. In the research conducted by Romaidah (Saragih, 2012) the results of her research show that the Capital Adequacy Ratio (CAR) has a significant effect on Return On Equity (ROE), Non Performing Loans (NPL) has no significant effect on Return On Equity (ROE), and Expenses Operational/Operating Income (BOPO) has a significant effect on Return On Equity (ROE). Whereas in the research conducted by A. Isramiasryh (2016), the results of his research showed that the Capital Adequacy Ratio (CAR) and Operational Costs/Operating Income (BOPO) had a negative and significant effect on ROE, Non Performing Loans (NPL) had a negative but not significant effect on ROE, and Loan to Deposit Ratio (LDR) have a significant and negative effect on ROE. This shows that the soundness ratio of a bank has an influence on the level of profitability in a bank. Based on the description of the background above, the researcher is interested in discussing and examining more deeply the research that will be conducted under the title "The Effect of Bank Health Ratio on Profitability at PT. Bank Sulselbar Makassar.

B. METHOD

The type of data used in this study is quantitative data, namely the value of variables that can be expressed in numbers (Baharuddin Semmaila and Reza Aril, 2017: 129). In this case the data used is in the form of quarterly published financial reports of PT. Bank Sulselbar Makassar. This research is planned to be carried out at the Head Office and Main Branch of PT. Bank Sulselbar Makassar which is located at Jalan Dr. Sam Ratulangi No. 16 cities of Makassar. Meanwhile, the research was carried out for 2 months, namely September 2021 to November

2021. The primary and secondary data sources used were from the financial reports published by PT. Bank Sulselbar Makassar through its website (www.banksulselbar.co.id) in the form of quarterly financial reports consisting of a balance sheet and income statement, as well as other data supporting and related to research. The research method according to (Sugiyono, 2012), is basically a scientific way to obtain data with specific purposes and uses. The statistical method used to test the existing hypotheses is by using simple linear regression with the help of Statistical Product and Services Solutions (SPSS) software for Windows version 23.

C. RESULTS AND DISCUSSION

RESULT

The data in this study are data obtained from the financial statements of PT. Bank Sulselbar Makassar on a quarterly basis in the period 2019 to 2021, totaling 31 research samples. The research data can be seen from the following table:

Table. 1 Value of Capital Adequacy Ratio (CAR), Non Performing Loans (NPL), Loan to Deposit Ratio (LDR), Operational Costs/Operating Income (BOPO), and Return On Equity (ROE) at PT. Bank Sulselbar Makassar Year 2019 s/d 2021 (%)

Year	CAR	NPL	LDR	BOPO	ROE
2019	27,83	0,83	73,29	60,10	25,98
	23,47	0,82	70,85	62,78	29,64
	23,85	0,74	69,00	63,14	31,71
	27,63	0,65	117,17	63,82	33,61
2020	25,81	0,65	71,98	54,45	34,44
	27,10	0,50	90,01	56,85	36,71
	19,07	0,50	88,85	59,51	36,51
	21,37	0,51	103,00	60,13	34,10
2021	20,60	0,56	72,78	72,91	23,48
	18,45	0,59	81,45	70,55	27,62
	23,68	0,57	93,24	68,80	28,34

Source : Laporan Keuangan PT. Bank Sulselbar Makassar Tahun 2019-2021.

Descriptive Statistics Test

The results of the Descriptive Statistical Test show the characteristics of the sample used in this study. Includes number of samples (N), sample average (mean), and standard deviation (σ) for each variable Capital Adequacy Ratio (CAR), Non Performing Loans (NPL), Loan to Deposit Ratio (LDR), Operational Costs /Operating Income (BOPO), and Return On Equity (ROE) as follows:

Table 2. Descriptive Statistical Test Capital Adequacy Ratio (CAR), Non Performing Loan (NPL), Loan to Deposit Ratio (LDR), Operational Costs/Operating Income (BOPO), and Return On Equity (ROE) at PT. Bank Sulselbar Makassar

	Mean	Std. Deviation	N
ROE	26,5987	7,51136	31
CAR	22,4274	2,92929	31
NPL	1,3400	,69345	31
LDR	86,6597	14,42418	31
BOPO	64,6477	5,13606	31

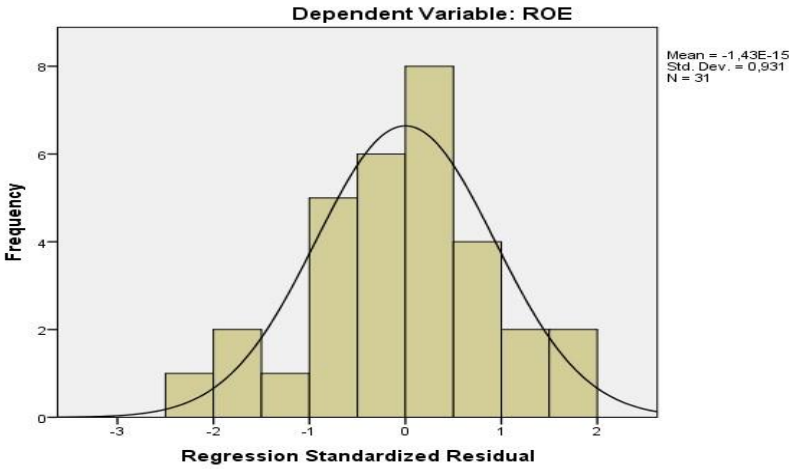
Table. 2 shows that the average value of the Capital Adequacy Ratio (CAR) from 2019 to 2021 is 22.42%, so that from the Capital Adequacy Ratio (CAR) ratio achieved by the bank it is more than 8%, meaning the bank already has sufficient capital according to the provisions of Bank Indonesia. The standard deviation of 2.92% is smaller than the mean (average) meaning that the deviation from the Capital Adequacy Ratio (CAR) can be said to be relatively good. The average value of Non-Performing Loans (NPL) from 2019 to 2021 is 1.34%, so that the ratio of Non-Performing Loans (NPL) achieved by banks is less than 5%. This means that the bank is in good health because the NPL value is 5% according to the provisions of Bank Indonesia. The standard deviation of 0.69% is smaller than the mean (average) meaning that the deviation in the ratio of Non-Performing Loans (NPL) can be said to be relatively good. The average value of the Loan to Deposit Ratio (LDR) from 2019 to 2021 is 86.66%, so that the Loan to Deposit Ratio (LDR) achieved by the bank is already more than 85%. This means that the bank has fulfilled the criteria set by Bank Indonesia which determines the value of the Loan to Deposit Ratio (LDR) ranging from 85% to 100%. The standard deviation of 14.42% is smaller than the mean (average) meaning that the deviation of the Loan to Deposit Ratio (LDR) can be said to be relatively good.

The average value of Operational Costs/Operating Income (BOPO) from 2019 to 2021 is 64.65%, so that the ratio of Operational Costs/Operating Income (BOPO) achieved by banks is more than 50%. This means that the bank is in good health because the ideal value of the ratio of Operating Expenses/Operating Income (BOPO) is between 50-75% in accordance with bank Indonesia regulations. The standard deviation of 5.13% is smaller than the mean (average) meaning that the deviation in the ratio of Operating Expenses/Operating Income (BOPO) can be said to be relatively good.

Classic Assumption Test

Normality Test

The normality test aims to determine whether each variable is normally distributed or not. The normality test is needed because to carry out tests of other variables by assuming that the residual values follow a normal distribution. If this assumption is violated, the statistical test becomes invalid and parametric statistics cannot be used (Ghozali & Tamansiswa, 2018). A good regression model is having normal or close to normal data distribution. One of the methods to determine normality is to use graphical analysis and statistical tests. Graphical analysis can be seen by looking at the histogram graph or by looking at the Normal Probability Plot. The first normality test is by looking at the histogram graph as shown in Figure 1 below:



Source: Processed secondary data, 2021.

Figure 1. ***Histogram Graphic Image (Original Data)***

From figure 1, it can be seen that the data is normally distributed, that is, from the symmetry, the histogram shape is not more inclined to one side and is more in the shape of a bell. However, if the conclusion is normal or not the data is only seen from the histogram graph, then this can be misleading, especially for a small number of samples. Another method used in graphical analysis is to look at the normal probability plot which compares the cumulative distribution of the normal distribution. If the residual data distribution is normal, then the line that will describe the actual data will follow the diagonal line. The normality test by looking at the Normal Probability Plot can be seen in figure 2 below:

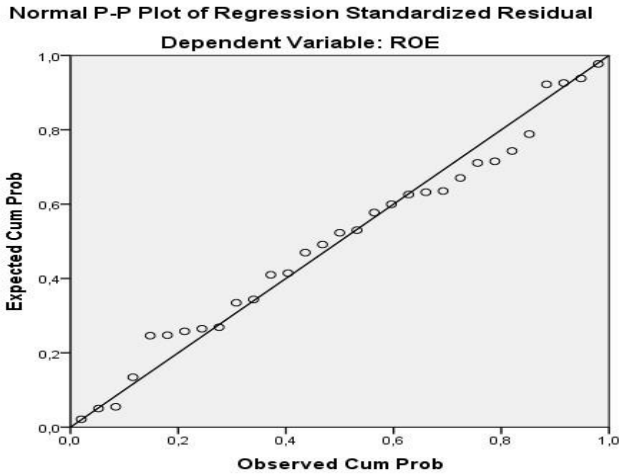


Figure 2 Normal Probability Plot (Original Data)

The probability graph in figure 2 above shows the data is normally distributed. It can be concluded that the regression model meets the normality assumption because the data spreads around the diagonal line and follows the diagonal line.

Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model there is an inequality of variance from one residual observation to another. To determine heteroscedasticity, you can use the scatterplot graph, the points that are formed must spread

randomly, spread both above and below the number 0 on the Y axis, if these conditions are met then there is no heteroscedasticity and the regression model is feasible to use. The results of the heteroscedasticity test using the scatterplot graph are shown in Figure. below this:

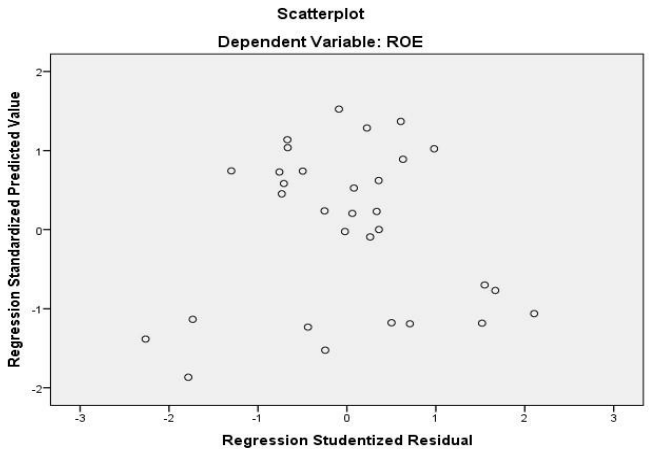


Figure 3. Scatterplot Graph

By looking at the scatterplot graph above, it can be seen that the points spread randomly, and are spread both above and below the number 0 on the Y axis. It can be concluded that there are no symptoms of heteroscedasticity in the regression transformation model used.

Model Feasibility Test (F Test)

The F test (F-test) or model feasibility test is intended to determine the effect of independent variables, namely Capital Adequacy Ratio (CAR), Non-Performing Loans (NPL), Loan to Deposit Ratio (LDR), and Operational Expenses/Operating Income (BOPO)) simultaneously on the dependent variable Return On Equity (ROE), as shown in table 3. as follows:

Table 3 . F Test (F Test)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	721,856	4	180,464	4,833	,005[b]
	Residual	970,760	26	37,337		
	Total	1692,616	30			

a. Dependent Variable: ROE
b. Predictors: (Constant), BOPO, LDR, NPL, CAR *Sumber : Data sekunder yang diolah, 2021..*

From the results of the regression analysis it can be seen that simultaneously (simultaneously) the independent variables have a significant influence on the dependent variable. This can be proven from the calculated F value of 4.833% with a significance of 0.005. Because the significance value is much smaller than 0.05 or 5%, the regression model can be

used to predict Return On Equity (ROE) or it can be said that the independent variables are Capital Adequacy Ratio (CAR), Non Performing Loans (NPL), Loans to Deposit Ratio (LDR), and Operating Costs/Operating Income (BOPO) simultaneously influence the dependent variable Return On Equity (ROE). In the sense that any changes that occur in the independent variables simultaneously will affect Return On Equity (ROE).

R2 Test (Coefficient of Determination)

The coefficient of determination serves to see how far the entire independent variable can explain the dependent variable. The R2 test is a partial determination coefficient to separately measure the influence of independent variables, namely Capital Adequacy Ratio (CAR), Non Performing Loans (NPL), Loan to Deposit Ratio (LDR), and Operational Expenses/Operating Income (BOPO) on Return On Equity (ROE). The R2 value lies between 0 to 1 ($0 \leq R2 \leq 1$). If the R2 value is large (close to 1), it can be said that the model is stronger in explaining the variation of the independent variable to the dependent variable. Meanwhile, if R2 is small (close to 0), it means that the variation of the independent variable on the dependent variable is weaker.

Table 4. Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,653[a]	,426	,338	6,11040

a. Predictors: (Constant), BOPO, LDR, NPL, CAR
b. Dependent Variable: ROE

From table 4. above it is known that the effect of the four independent variables on the dependent variable is expressed by the value of the coefficient of determination (R2), which is equal to 0.426 or 42.6%. This means that 42.6% of the variation in Return On Equity (ROE) can be explained by the variations of the four independent variables. While the remaining 100% - 42.6% = 57.4% is explained by other reasons outside the model.

Discussion

The discussion in this study is intended to analyze the effect of Capital Adequacy Ratio (CAR), Non Performing Loans (NPL), Loan to Deposit Ratio (LDR), and Operational Costs/Operating Income (BOPO) on Return On Equity (ROE), especially at PT. Bank Sulselbar Makassar with an observation period from 2010 to 2017. From the results of the research conducted, it shows that the Capital Adequacy Ratio (CAR) and Loan to Deposit Ratio (LDR) have a positive effect on Return On Equity (ROE), while Non Performing Loans (NPL) and Operational Costs/Operating Income (BOPO) have a negative effect on Return On Equity (ROE). Then, from the results of the partial tests that have been carried out, it shows that there is a significant influence between Non-Performing Loans (NPL) on Return On Equity (ROE), while the Capital Adequacy Ratio (CAR), Loan to Deposit Ratio (LDR) and Operational Costs/Operating Income (BOPO) has no significant effect on Return On Equity (ROE).

From the results of the simultaneous tests conducted, it shows that the Capital Adequacy Ratio (CAR), Non Performing Loans (NPL), Loan to Deposit Ratio (LDR) and Operational Costs/Operating Income (BOPO) all have an effect on Return On Equity (ROE). In connection with the description above, a discussion of the results of this study will be carried out which can be described one by one as follows:

Effect of Capital Adequacy Ratio (CAR) on Return On Equity (ROE)

The higher the Capital Adequacy Ratio (CAR) value, the better the bank's ability to bear the risk of any risky credit/productive assets. If the value is high, the bank is able to finance operational activities and make a sizeable contribution to profitability. So it can be interpreted that the higher the value of the Capital Adequacy Ratio (CAR) of a bank, the better the condition. From the results of tests conducted on the financial statements of PT. Bank Sulselbar Makassar with the observation period from 2010 to 2017 obtained partial test results (t test) between the Capital Adequacy Ratio (CAR) variable and the Return On Equity (ROE) variable of 0.402. As for the regression coefficient, the result is 0.196. This can be interpreted that an increase of 1% in the value of Capital Adequacy Ratio (CAR) can cause the value of Return On Equity (ROE) to increase by 0.196%, so that it can be said that there is a positive influence between Capital Adequacy Ratio (CAR) and Return On Equity (ROE). The significance value is 0.691 where this value is not significant because it is greater than 0.05. Because the significance level is more than 0.05 or 5%, in this case the Capital Adequacy Ratio (CAR) has a not significant positive effect on Return On Equity (ROE).

Research conducted by (Lestari, 2014) analyzed the factors that influence the profitability of state-owned banks in Indonesia. The results of the study show that the Capital Adequacy Ratio (CAR) has a positive and insignificant effect on Return On Equity (ROE), so the results of this study support previous research. The results of this study are different from the results of previous research conducted by A. Isramiarsyh (2016). Where previous research found that the Capital Adequacy Ratio (CAR) has a negative and not significant effect on Return On Equity (ROE). The discrepancy between the results of this study and the results of previous studies is most likely due to differences in the selection of populations and research samples.

The Influence of Non-Performing Loans (NPL) on Return On Equity (ROE)

According to (Bank Indonesia, 2004) Regulation Number 6/10/PBI/2004 dated 12 April 2004 concerning the Soundness Rating System for Commercial Banks, it stipulates that the ratio of Non-Performing Loans (non-performing loans) is 5%. The lower the value of the Non-Performing Loan (NPL) ratio, the better, because the number of bad loans at the bank is getting smaller, and vice versa, the higher the Non-Performing Loan (NPL) of a bank, the greater the bad loans at that bank. The result of the partial test (t test) between the Non Performing Loan (NPL) variable and the Return On Equity (ROE) variable is -3.439. As for the regression coefficient, the result is -6.476. This can be interpreted that a 1% increase in Non Performing Loans (NPL) can cause Return On Equity (ROE) to decrease by 6.476%, so it can be said that there is a negative influence between Non Performing Loans (NPL) and Return On Equity (ROE). The significance value is 0.002 where this value is significant because it is smaller than 0.05. Because the significance level is less than 0.05 or 5%, in this case Non Performing Loans (NPL) have a significant negative effect on Return On Equity (ROE). The smaller the Non Performing Loan (NPL) value, the smaller the credit risk borne by the bank. In other words, the higher the Non Performing Loan (NPL) will reduce profitability. The results of this study are also the same as previous research conducted by Dewi Lestari (2014) that the variable Non Performing Loan (NPL) partially has a significant negative effect on Return On Equity (ROE), so the results of this study support previous research.

The Effect of Loan to Deposit Ratio (LDR) on Return On Equity (ROE)

The higher the Loan to Deposit Ratio (LDR) indicates the lower the bank's liquidity capacity. This is because the amount of funds needed to finance credit is getting bigger. The Loan to Deposit Ratio (LDR) states how far the bank's ability to pay back the withdrawal of funds made by depositors by relying on the credit provided as a source of liquidity.

The result of the partial test (t test) between the Loan to Deposit Ratio (LDR) variable and the Return On Equity (ROE) variable is 0.806. As for the regression coefficient, the result is 0.065. This can be interpreted that an increase of 1% Loan to Deposit Ratio (LDR) can cause Return On Equity (ROE) to increase by 0.065%, so it can be said that there is a positive influence between Loan to Deposit Ratio (LDR) and Return On Equity (ROE). The significance value is 0.428 where this value is not significant because it is greater than 0.05. Because the significance level is greater than 0.05 or 5%, in this case the Loan to Deposit Ratio (LDR) has a not significant positive effect on Return On Equity (ROE). The results of this study are different from previous research conducted by (Israniarsyh, 2016) that the Loan to Deposit Ratio (LDR) variable has a significant negative effect on Return On Equity (ROE). The discrepancy between the results of this study and the results of previous studies is most likely due to differences in the selection of populations and research samples.

Effect of Operational Costs/Operating Income (BOPO) on Return On Equity (ROE)

Banks that have high Operational Costs/Operating Income (BOPO) indicate that the bank is not operating efficiently. The high value of this ratio shows the large amount of operational costs that must be incurred by the bank to obtain operating income. The high number of operational costs will reduce the amount of profit to be obtained because operating costs or expenses act as a deducting factor in the income statement. The result of the partial test (t test) between the variable Operating Costs/Operating Income (BOPO) and the Return On Equity (ROE) variable is 0.073. As for the regression coefficient, the result is -0.018. This can be interpreted that an increase of 1% in the ratio of Operating Expenses/Operating Income (BOPO) can cause Return On Equity (ROE) to decrease by 0.018%, so it can be said that there is a negative influence between Operating Costs/Operating Income (BOPO) and Return On Equity (ROE). The significance value is 0.943 where this value is not significant because it is greater than 0.05. Because the significance level is greater than 0.05 or 5%, in this case the Operational Costs/Operating Income (BOPO) have a negative and insignificant effect on Return On Equity (ROE). The results of this study are different from previous research conducted by (Saragih, 2012) that the variable Operating Costs/Operating Income (BOPO) has a significant positive effect on Return On Equity (ROE). The discrepancy between the results of this study and the results of previous studies is most likely due to differences in the selection of populations and research samples.

D. CONCLUSION

The results of the multiple linear regression test show that: If the variable values of Capital Adequacy Ratio (CAR), Non Performing Loans (NPL), Loan to Deposit Ratio (LDR), and Operational Costs/Operating Income (BOPO) are constant, then the probability is 26.46%, If the Capital Adequacy Ratio (CAR) increases by 1%, the Return On Equity (ROE) will increase by 0.196%, If the Loan to Deposit Ratio (LDR) increases by 1%, the Return On Equity (ROE) will increase by 0.065%, If Operational Costs/Operating Income (BOPO) increase by 1%, Return On Equity (ROE) will decrease by 0.018%. From the results of the partial test (t-test) the variables Capital Adequacy Ratio (CAR), Non Performing Loans (NPL), Loan to Deposit Ratio (LDR), and Operational Costs/Operating Income (BOPO) have an influence on Return On Equity (ROE) and the influence of each variable based on the research results are as follows: a) the variable Capital Adequacy Ratio (CAR) has a positive but not significant effect on Return On Equity (ROE). b) Variable Non Performing Loan (NPL) has a negative and significant effect on Return On Equity (ROE), c) The Loan to Deposit Ratio (LDR) variable has a positive but not significant Return On Equity (ROE) effect, d) Variable Operating Costs/Operating Income

(BOPO) has a negative and insignificant effect on Return On Equity (ROE). From the results of the F test conducted, the Capital Adequacy Ratio (CAR), Non Performing Loans (NPL), Loan to Deposit Ratio (LDR), and Operational Expenses/Operating Income (BOPO) have a simultaneous effect on Return On Equity (ROE). The coefficient of determination shows that in the regression model 42.6% of the change in the variable Return On Equity (ROE) is caused by the four variables studied, while the remaining 57.4% is influenced by other factors not included in the research model.

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