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FINANCIAL RATIO ANALYSIS OF BANK PERFORMANCE

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ABSTRACT

This study aims to determine the effect of Firm Size proxied with SIZE), Credit Risk proxied by Non Performing Loans (NPL), and Capital Adequacy proxied with Capital Adequacy Ratio (CAR) toward Bank Performance proxied by Return on Asset (ROA). Population in this study are banking companies listed in Indonesia Stock Exchange (IDX) 2015-2017. The technique of determination of the sample using the method of purposive sampling and obtained 27 banking companies with a research period of three years to obtain 81 units of samples. Data analysis was done using Microsoft Excel 2010 and hypothesis testing in this research using Data Panel Regression Analysis with the E-Views 9.0 program and a significance level of 5%. The results of the research shows that (1) Firm Size (SIZE) has a significant positive effect on Bank Performance (ROA), (2) Credit Risk (NPL) has a negative and significant effect on Bank Performance (ROA), (3) Capital Adequacy (CAR) has no effect and significant on Bank Performance (ROA).

INTRODUCTION

In line with the progress of civilization, information technology, globalization, up to the international economy, the role of banks is growing and the field of business is increasingly widespread. The bank is one of the most dynamic companies that can drive the growth of the national economy. The bank's business is not only as a fund collector and distributor, but also the creator of payment instruments, monetary stability and the pulse of economic growth. Even banks encourage economic relations between international countries in the world. Every company utilizes banking services because the smooth flow of payment and billing can only be done by utilizing banking services. The more advanced a country is, the greater the role of banks in controlling the country.

Bank performance is used as a form of the bank's ability to measure the effectiveness of a company in generating profits, the greater the profit, the better financial performance is shown. As for other factors that affect bank performance, namely the size of the company. Company size is a fairly complex problem, this is because banks are considered to have a potential economy if the bank has the ability to manage the total assets it has. That is, if the company has a large total assets, management will be easier to use the assets that are in the company so they can control the company. However, companies must also be able to manage their assets so as not to incur greater costs that can affect profitability. In addition, the bank in carrying out its operations is certainly not free from a variety of risks. The bank's business risk is uncertainty that will occur in the future. The risk that will be faced by banks is the number of loans that are not paid or cannot be collected from customers, in other words, called bad credit or problem loans. The last factor that can affect bank performance in this study is capital adequacy, the strength of this aspect of capital adequacy can be a major source of financing for bank activities and as a buffer for possible losses.

LITERATURE REVIEW

Profitability

The main objective of the company is to achieve maximum profit or profit as much as possible as a form of success or failure of the company in the acquisition of profits to be given to parties who have a direct relationship with the company.

Sitanggang (2014, p. 28) says that earning profit is the company's acquisition ability seen from which profit and capital are taken into account. While Muhammad Yusuf (2017) states that profitability is the ability of a company to earn profits in a certain period.

To measure the level of profit, profitability ratios are used. According to Harahap (2013, p. 304) 'Profitability ratio or also called profitability describes the ability of a company to earn profits through all capabilities, and existing resources such as sales activities, cash, capital, number of employees, number of branches, etc.' Report on company performance good will improve bank performance which can be measured by the level of profitability of the company. This is supported by previous research conducted by Muhammad Yusuf (2017).

Based on the explanation above about Profitability, it can be concluded that Profitability is the company's ability to obtain profits or profits in using the resources owned by the company such as assets, capital and debt.

Firm Size

Haryanto & Hutasoit (2016) states that the size of a bank is seen from the total assets owned by the bank. The greater the value of assets owned by the bank indicates that the size of the bank is getting bigger. Assets owned by banks are in the form of savings, time deposits, demand deposits, time deposits, bills on other banks, securities, loans, and equity.

The size of the company in its measurement is measured by transforming the total assets of the company into natural logarithms. Among them according to Hartono (2013, p. 460) the size of the company is proxied by using the Natural Total Asset Log with the aim of reducing excessive data fluctuations. By using natural logs, the number of assets with a value of hundreds of billions or even trillions will be simplified, without changing the proportion of the actual assets.

Credit Risk

According to Law No.10 year 1998 concerning the amendment to Law No. 7 of 1992 said that credit is the provision of money or bills that can be equated, and this is based on a loan agreement between the bank and another party that requires the borrowing party to repay the debt after a certain period of time with interest. However, in credit activities, there are elements of time, risk, income, surrender, trust and approval.

According to Pandia (2012, p. 199), states 'Risk is a threat or the possibility of an action or event that has an impact that is opposite to the goal to be achieved '. Then, based on the theories that have been mentioned, it can be concluded that the risk can be a threat or opportunity for the company depending on how the response and actions provided by the company.

However, in analyzing the risks that will be faced, the bank conducts credit classification into two categories, namely non-problematic loans and problem loans (Ismail, 2010. p. 123).

Non-performing loans will have a negative impact because they will cause losses to the Bank itself. The losses suffered by the Bank itself are in the form of no return of previously channeled funds and unearned interest income. That is, the Bank will lose the opportunity to earn interest, which results in a total decrease in income.

Capital Adequacy

According to Muhammad (2008, p. 161) alan Capital is a picture of the bank's ability to meet capital adequacy '.

According to Taswan (2010, p. 214) affirms that Bank Capital is funds invested by the owner in the framework of establishing a business entity intended to finance the Bank's business activities in addition to fulfilling regulations set by the monetary authority.

From the theory regarding capital adequacy shows the ability of banks to maintain sufficient capital and the ability of bank management to identify, monitor and control risks that arise and can influence the size of bank capital.

The bank's capital function according to Taswan (2010, p. 214) explains the following:

a. To protect depositors by counteracting all banking business losses as a result of one or a combination of banking business risks, for example the occurrence of insolvency and bank liquidity.

b. To increase public trust regarding the ability of the Bank to fulfill obligations that have matured and provide confidence regarding the continuation of the Bank's operations despite the occurrence of losses. Based on the literature review, previous research and the framework related to research variables, the formulation of the hypothesis that can be formulated is:

1. The size of the firm is thought to affect the Bank Performance (ROA) of National Commercial Banks.

2. Credit Risk is alleged to have an effect on Bank Performance (ROA) of National Commercial Banks.3. Capital Adequacy is thought to have an effect on Bank Performance (ROA) of National Commercial Banks.

RESEARCH METHOD

The population that will be used as objects in this study are banking companies listed on the Indonesia Stock Exchange (IDX) during the period 2015-2017. The sampling technique used is Purposive sampling technique, the population that will be used as the sample in this study is the National Commercial Bank which is listed on the Indonesia Stock Exchange (IDX) for the period 2015-2017.

The criteria for the sample are:

1. National Commercial Banks that are listed on the Stock Exchange during the period 2015-2017.
2. The National Commercial Bank that issues financial reports for the period 2015-2017.
3. National Commercial Banks that earn profits during the period 2015-2017.

This study is used to test hypotheses with the help of regression analysis methods through E-views version 9. To answer the hypotheses that have been made, you can use the following methods:

Decision making rejects or accepts hypotheses based on the criteria below, namely:

	ROA	SIZE	NPL	CAR
Mean	0.015494	31.54280	0.025111	0.212531
Median	0.015000	31.73900	0.026000	0.195000
Maximum	0.039000	37.33100	0.70000	0.664000
Minimum	0.001000	28.31100	0.002000	0.105000
Std. Dev.	0.009618	2.185242	0.670745	0.072786
Skewness	0.726851	0.399729	-0.626651	3.164000
Kurtosis	2.784917	2.618768	3.845715	19.60482
Jarque-B	7.288349	2.647585	8.487551	1065.702
Probability	0.026143	0.266124	0.014353	0.000000

1) If tcount <t table, then H0 is accepted and Ha is rejected (there is no influence).

2) If tcount> t table, then H0 is rejected and Ha is accepted (there is influence).

RESULTS AND DISCUSSION

1. Descriptive Statistics

Descriptive statistics above to find out how much the level of Return on Assets (ROA), Company Size (SIZE), Non Performance Loans (NPL) and Capital Adequacy Ratio (CAR) The interpretations of the descriptive statistics above are as follows:

a. Bank Performance (ROA)

The average ROA of 27 banks for 3 years is 0.01549 or 1.55%. This indicates that the average ROA in a banking company is in a good condition where according to SE Bank Indonesia No. 13/24 / DPNP in 2011, if ROA> 1.5%, the bank has a good performance and is included in the number one. The lowest ROA is Bank Bukopin Tbk amounting to 0.001 or 0.1% in 2017, while the highest ROA is 0.039 or 3.9% achieved by the company Bank Central Asia Tbk in 2017. This is because Bank Central Asia Tbk is able to maximize the return or profit obtained from company assets. It can be seen from 27 banking companies during the 3 years of observation that there were 43.10% who had values above the average. And 56.90% who have ROA values below the average. From this, the company's profit on the total assets of the 27 National Public Banks listed on the Indonesia Stock Exchange in 2015 - 2017 is almost all equally good. With a standard deviation of Bank Performance (ROA) of 0.009618.

b. Firm Size (SIZE)

Based on Table 11. above, it can be seen that the average variable size of the company is 31.54280 from 27 banking companies in the period 2015 - 2017. SIZE has the highest value of 37.333 at Bank Rakyat Indonesia Agroniaga Tbk in 2017. This is due to the value of the total assets or total assets owned by Bank Rakyat Indonesia Agroniaga Tbk in the financial statements shows the total assets of Rp. 16,325,247,000,000,000. Furthermore, the lowest value of SIZE is 28.31100, namely in Bank Ganesha Tbk in 2015 which has the smallest number of assets among other banking companies, namely Rp. 1,974,416,000,000. Then the standard deviation on SIZE is 2.185242 which means that if it is smaller than the average value then the data used has good conditions.

c. Credit Risk

The average NPL of 27 banks for 3 years is 0.025111 or 2.51% and is still above the minimum Non Performing Loan (NPL) limit set by PBI of 5%. The lowest NPL is owned by Bank Ina Perdana Tbk by 0.2% in 2015. The highest NPL is owned by Bank Artha Graha Internasional Tbk at 7% in 2017. It can be seen from 27 banking companies during 3 years of observation that there are 48.28 % who have values above the average. And only 51.72% have an NPL value below the average. With Credit Risk Standard Deviation (NPL) of 0.013623.

d. Capital Adequacy

The average CAR of 27 Banks in the 2015-2017 period above is 0.212531 or 21.25% where according to POJK the bank's Minimum Capital Requirement is 8% while in the table above it is still above 10%. The lowest CAR of 10.5% was owned by Bank Bukopin Tbk in 2017. For the highest CAR of 66.4% owned by Bank Ina Perdana Tbk in 2017. Of the 27 banking companies during the 3 years of observation there were 30 banks that had the above values average. And there are 51 banks that have values below the average. The standard deviation in the CAR is 0.072786 which means that if it is smaller than the average value, the data used still has good conditions.

CONCLUSIONS

The purpose of this study was to determine the effect of Company Size, Credit Risk, and Capital Adequacy on the Bank's Performance. The sample used in this study is the National Commercial Bank which is listed on the Indonesia Stock Exchange (BEI) for the period 2015 - 2017. The method used in this study is purposive sampling, which is a technique used in the sampling based on certain criteria.

Based on the results of research and hypothesis testing through panel data regression analysis in the discussion of chapter IV, the authors can draw conclusions as follows:

a. The test results of the Company Size variable as measured by Firm Size (SIZE) show the results stating that Company Size (SIZE) has a significant positive effect on the Performance of National Commercial Banks Tbk. Thus, the research hypothesis is proven.

b. The results of the testing of Credit Risk variables as measured by Non Performing Loans (NPL) show the results stating that Credit Risk (NPL) has a significant negative effect on the Performance of National Commercial Banks Tbk. Thus, the research hypothesis is proven.

c. The results of testing the Capital Adequacy variable as measured by Capital Adequacy (CAR) shows the results stating that Capital Adequacy (CAR) does not affect the Performance of National Commercial Banks Tbk. Thus, the hypothesis of this study is not proven.

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