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Effect of Third Party Funds, CAR, LDR and NPL on Performance The Banking Companies Listed in Indonesia Stock Exchange (IDX)

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Abstract

This study aims to Determine the effect of third-party funds on the performance of banking companies listed on the Stock Exchange in the period 2015-2017, to Determine the Effect of Third Party Funds (TPF), aduquacy capital ratio (CAR), the loan to deposit ratio (LDR) loan (NPL) to the performance of banking companies listed on the IDX for the period 2015-2017. The population in this study are all private commercial banks in Indonesia for the period 2015-2017 with a total of 43 banks listed on the Indonesia Stock Exchange. The sampling technique used in this study was a purposive random sampling technique, the which is a sample drawn using the Certain criteria of 40 banks. This research uses quantitative methods. The research of data used is the financial statements of banking company publications Obtained from the web of financial services authority (FSA).

Keywords: Third Party Funds (TPF), Capital Adequacy Ratio (CAR), Loan to Deposit Ratio (LDR), Non Performing Loans (NPL), Return on Assets (ROA)

INTRODUCTION

The increasingly fierce competition requires banks to further improve its performance in order to attract funds from the public at large. As more funds owned by the bank, the more likely the bank to perform its functions. In invest, the public requires information about the company's performance. Users of financial statements of banks requires information that is easy to understand, relevant, reliable and comparable in evaluating the financial position and performance of the bank as well as useful in making economic decisions (Financial Accounting Standards, 2004).

The most appropriate indicators for measuring the performance of perusaahn is profitability. Tool measuring profitability in this study is ROA (Return on Assets). Source of funding is very important for the bank to carry out its core operational funds to the community. In the case of banking requires the availability of financial resources. The fund includes funds from the bank's own funds coming from other institutions, and funds from the public (Kamsir, 2012: 69). Funds sourced from public or third party funds (DPK) is the most important funding for the operations of a bank and the bank's success if it is able to finance its operations from this funding source (Kamsir, 2012: 71).

The allocation of funds such third parties may include savings, current accounts and deposits. funds from other institutions, and funds from the public (Kamsir, 2012: 69). Funds sourced from public or third party funds (DPK) is the most important funding for the operations of a bank and the bank's success if it is able to finance its operations from this funding source (Kamsir, 2012: 71). The allocation of funds such third parties may include savings, current accounts and deposits. funds from other institutions, and funds from the public (Kamsir, 2012: 69). Funds sourced from public or third party funds (DPK) is the most important funding for the operations of a bank and the bank's success if it is able to finance its operations from this funding source (Kamsir, 2012: 71). The allocation of funds such third parties may include savings, current accounts and deposits.Prastiyaningtyas (2010) says that the capital shows the ability of bank management inmaintain capital itself, monitor and control risks that might occur and will affect the availability of capital.

The bank's operations can run smoothly and securely if the bank has adequate capital, because if at the time urged banks still had capital reserves of Bank Indonesia to rescue the banks themselves. Capital adequacy ratio of this study diporsikan with Capital Adequacy Ratio (CAR). Banking companies are required to maintain liquidity and ensure the ability to carry out its obligations in the channeling of credit to third parties. Loan to Deposit Ratio (LDR) can be a positive influence on changes in earnings, the higher the value of this ratio the higher the profits to be earned by the bank. To measure the ability of banks to cover the risk of a credit decision by the debtor is to see the Non Performing Loans (NPL) or can be calculated by comparing the non-performing loans to total loans. NPL is so may adversely affect the company's profit growth.

Various studies have been conducted on the factors - factors that affect the performance of a bank, several researchers including Prasanjaya (2013) conducted a research on Analysis of Effect of CAR, ROA, LDR and Company Size To Profitability Banks Listed on the Stock Exchange, Sukma (2013) analyze the Influence of Funds Third party, capital adequacy and credit risk on the profitability of banks listed on the Stock Exchange, Aini (2013) in his study on the Influence of CAR, NIM, LDR, NPLs, ROA, and Assets Quality on Changes in Profit on Banking Companies listed on the Stock Exchange, Prasetyo (2015) on the Influence of Credit Risk, Liquidity, Capital Adequacy and Operational Efficiency To Profitability At PT BPD Bali, Anggreni (2014) Influence of the Third Party Funds, Capital Adequacy,Credit Risk and Interest Rate on profitability.

METHODS

In conducting this study researchers conduct research using quantitative research is a form of numbers - numbers. These data indicate the magnitude or variable values it represents.
The object of this study isbanking companies listed in Indonesia Stock Exchange in the period 2015-2017 that match the criteria and be sampled in this study. As the background of the observation variables are variables where the financial performance of financial performance as seen from the profitability becomes the dependent variable.

a. *Return on Assets*(ROA)

Return On Assets (ROA) is a ratio used to measure the ability of bank management in gain (profit) as a whole. According to previous investigators Sukma (2013), ROA can be formulated as follows:

$$ROA = \frac{\text{Profit before tax}}{\text{total Assets}} \times 100\%$$

b. Third Party Fund (DPK)

DPK (X1) are the funds coming from the wider community are the most important source for the operational activities of the bank and is a measure of the success of a bank if the bank can bear the cost of operation of these resources (cashmere, 2012: 59). DPK according to previous studies Sukma (2013) as follows:

$$DPK = \frac{\text{Third Party Funds}}{\text{total Liabilities}} \times 100\%$$

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c. *Capital Adequacy Ratio* (CAR)

Capital adequacy ratio(CAR) is the capital ratio indicates the ability of banks to provide funds for business development purposes and to accommodate the possible risk of losses resulting in bank operations (Dendawijaya, 2005: 121) .CAR measured by using the formula (Dendawijaya, 2005: 121) and previous investigators Sukma (2013) also mnggunakan the same formula as follows:

$$CAR = \frac{\text{Capital}}{\text{Risk Weighted Assets}} \text{ X } 100\%$$

d. *Loan to Deposit Ratio* (LDR)

Loan to Deposit Ratio(LDR) is the ratio between the total number of bank loans with funds received by the bank. LDR according to previous studies Aini (2013) mnggunakan formula is:

$$LDR = \frac{\text{Loans receivable}}{\text{Third-party funds}} \text{ X } 100\%$$

e. *Non-Performing Loans* (NPLs)

*Non Performing Loans (NPLs)*shows that the bank's management capabilities in managing problem loans granted by banks. NPL can be formulated as follows According to the Amendment to Bank Indonesia Circular Letter No. 15/35 / DPAU on 8 July 2015 and previous investigators Aini (2013) also mnggunakan the same formula as follows:

$$NPL = \frac{\text{NPL}}{\text{total Credit}} \text{ X } 100\%$$

Multiple linear regression analysis is an extension of the simple linear regression analysis. Where multiple linear analysis is a relationship between more than one independent variable with the dependent variable.

Multiple linear regression analysis was used to test the effect of the structure of third party funds (DPK), capital (CAR), liquidity (LDR) and non-performing loan (NPL) to profitability (ROA) banking companies listed in Indonesia Stock Exchange (BEI) in the period 2015 -2017.

Classic assumption test is a prerequisite multiple regression analysis. Before testing the hypothesis in research is necessary to test the classical assumption that include normality test, multicollinearity, heteroscedasticity test and test autokolerasi.

Normality test aims to test whether the regression, or residual confounding variables have a normal distribution (Ghozali, 2009: 147). A good regression model is data normal or near normal. There are two ways to detect whether or not the residuals are normally distributed with graphical analysis and statistical tests.

Multicolinierity test aims to test whether the regression model found a correlation between the independent variable (independent). A good regression model should not happen correlation between the independent variables (Ghozali, 2009: 95)

Autocorrelation test aims to test whether a linear regression model was no correlation between bullies error in period t with the error period t-1 (previously), if there is no problem of correlation it is called autocorrelation (Ghozali, 2009: 99).

Keterokesdastisitas test aims to test whether a regression model occurred inequality variance from one observation to another observation.

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The test is performed to determine the independent variable partially significant influence or not the dependent variable. The test is performed to determine jointly whether the independent variables influence significantly or not the dependent variable. According Ghozali (2013: 95) the coefficient of determination was essentially measure how far the model's ability to explain variations in the dependent variable.

RESULTS AND DISCUSSION

Object of this research is the influence of Third Party Funds, CAR (Capital Adequacy Ratio), LDR (Loan to Deposit Ratio) and NPL (Non Performing Loan) to the performance of banking companies listed in Indonesia Stock Exchange (BEI). And Third Party is a fund of the public is the most important source for operating activities bank.CAR (Capital Adequacy Ratio) is an indicator of the ability of banks to offset a decline in its assets as a result of losses caused bank assets that are at risk. LDR (Loan to Deposit Ratio) state how far the bank's ability to repay depositors withdrawal of funds committed by relying on loans as a source of liquidity.

Classic assumption test is performed to determine whether there is data to be used free of problems normality, autocorrelation, multicollinearity, heteroscedasticity.

1) Normality test

   By using the non-parametric statistical tests Kolmogorov-Smirnov (KS), the value Asymp. Sign in this study by 0.869 which means 0.05, it also indicates that the data are normally distributed, then the regression model can be said to meet the assumption of normality.

One-Sample Kolmogorov-Smirnov Test

		Residual unstandardized
N		120
normal Parametersa	mean	.0000000
	Std. deviation	.41760287
Most Extreme Differences	Absolute	.058
	positive	.053
	negative	-.058
Kolmogorov-Smirnov Z		.596
Asymp. Sig. (2-tailed)		.869

a. Test distribution is Normal.

Source: Results of SPSS

2) test Multicolinearity

   Based on the above table it can be seen that the result of the value of the variance inflation factor (VIF) for variable DPK is 1,200, CAR is 1049, LDR is 1,151 and the NPL is 1,034 which of the four variables is less than 10, while the value of tolerance variables TPF is 0833, CAR is 0.953, LDR is 0.869 and the NPL is 0967. Fourth variables are also more than 0.1 so that it can be concluded that the regression model in this research free from multicollinearity problem.

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3) autocorrelation test

Model Summaryb

Model	Std. Error of the Estimate	Durbin-Watson
1	.44383	1840

a. Predictors: (Constant), NPL, CAR, deposits, LDR

b. Dependent Variable: ROA

Source: Results of SPSS

Based on the above table it can be seen that the test results durbin watson (d) shows the number 1,840. When the value of k = 5, n = 120 and a significant level of 0.05 and then obtain the value of dL = 1.6164 and dU = 1.7896.
Thus it can be rated dU <d <(4-dU) = 1.7896 <1.840 <2.2104.

4) test Heteroskidastity
Based on the scatterplot graph above shows that the dots randomly spread and spread both above and below the zero (0) on the Y axis, not gathered in one place, and do not form a particular pattern. It can be concluded that there is no heteroskedestisitas in regression models.

Multiple linear regression analysis is used to determine the influence of the independent variables, namely DPK, CAR, LDR, NPLs partially or simultaneously on ROA. The results of data processing using SPSS to obtain a multiple linear regression equation, are presented in the following table:

Coefficientsa

Model		Coefficients unstandardized		standardized Coefficients		
		B	Std. Error	beta	T	Sig.
1	(Constant)	.334	.845		.395	.693
	DPK	-.007	.007	-.091	-.962	.338
	CAR	.013	.006	.193	2,186	.031
	LDR	.148	.040	.340	3676	.000
	NPL	-.089	.026	-.299	-3404	.001

a. Dependent Variable: ROA

Source: Results of SPSS

As for the multiple linear regression equation as follows:
Y = α + b1 x1 + b2x2 + b3x3 + b4x4 + e
Y = 0334 + -0007 x 1 + 0.013 0148 x2 + x3 + x4 + -0089 e
From the results of multiple linear regression equation can be explained as follows:

a. Constant value of 0334 showed that the profitability will be equal to 0334 if the TPF (X1), CAR (X2), LDR (X3) and NPL (X4) is equal to 0.
b. DPK coefficient (X1) of -0007 showed that every increase of 1 (unit) DPK will reduce profitability by 0007 assuming the other independent variables constant.
c. CAR coefficient (X2) of 0013 showed that every increase of 1 (unit) CAR will increase profitability by 0013 assuming the other independent variables constant.

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d. LDR coefficient (X3) of 0148 showed that every increase of 1 (unit) LDR will increase profitability by 0148 assuming the other independent variables constant.
e. NPL coefficient (X4) of -0089 showed that every increase of 1 (unit) NPL will reduce profitability by 0089 assuming the other independent variables constant.

a. T test (partial)

Coefficientsa

Model		Coefficients unstandardized		standardized Coefficients		
		B	Std. Error	beta	T	Sig.
1	(Constant)	.334	.845		.395	.693
	DPK	-.007	.007	-.091	-.962	.338
	CAR	.013	.006	.193	2,186	.031
	LDR	.148	.040	.340	3676	.000
	NPL	-.089	.026	-.299	-3404	.001

a. Dependent Variable: ROA

Source: Results of SPSS

a) First Hypothesis Testing
(H1): No effect on the profitability of third party funds
T test results on variable X1 is a third-party funding is obtained t = - 0962 to 0338 significantly. With a significant level of 0.05 it can be concluded that there is no significant effect on the profitability of third party funds with a negative relationship or counterclockwise direction.

b) Second Hypothesis Testing
(H2): No effect on the profitability of funds CAR
T test results on X2 are CAR obtained t count = 2,186 with significant 0.031 0.05 With significant levels it can be concluded that there is a significant impact on profitability CAR with the direction of a positive relationship or unidirectional.

c) Third Hypothesis Testing
(H3): No effect on profitability LDR funds
T test results on X2 are CAR obtained t count = 3,676 with significant 0.000. With a significant level of 0.05, it can be concluded that there signifikanLDR effect on profitability with the direction of a positive relationship or unidirectional.

d) Fourth Hypothesis Testing
(H4): No effect on profitability NPL funds
T test results on the X2 is obtained NPL t = -3,404with significant 0.001. With a significant level of 0.05, it can be concluded that there is significant influence on the profitability of the NPL positive direction or unidirectional relationship.

b. F test (simultaneous)

F test is used to determine the model of independent variables, DPK (X1), CAR (X2), LDR (X3) and NPL (X4) significant simultaneous to the dependent variable is ROA (Y). Here are the results of the processing of SPSS to test F:

Test Data Table 4.12 F (simultaneous)

ANOVAb

Model		F	Sig.
1	Regression	8110	.000a
	residual		
	Total		

a. Predictors: (Constant), NPL, CAR, deposits, LDR

b. Dependent Variable: ROA

Source: Results of SPSS

F on the test results obtained from the research variables F count = 8,110 with a significant level of 0.000. By using the limit of significance of 5%, or 0.05, with a significant level of 0.000 which is below 0.05, it can be concluded that there is significant influence between DPK (X1), CAR (X2), LDR (X3) and NPL (X4) against ROA (Y) at the banking company 'listed in Burs Securities Indonesia (BEI).

The coefficient of determination (R2) aims to determine the best level of accuracy in the regressions, this is indicated by the coefficient of determination (R2) between 0 (zero) to 1 (one). To view the coefficient of determination on multiple linear regression is to use the value of R Square. Of the coefficient of determination (R2) can be obtained a value to measure the contribution of some variable X to variable Y variation fluctuation which is usually expressed in percentage.
coefficient of Determination

Model Summaryb

Model	R	R Square	Adjusted R Square
1	.491a	.241	.212

a. Predictors: (Constant), NPL, CAR, deposits, LDR

b. Dependent Variable: ROA

Source: Results of SPSS

From the results of calculations using SPSS program can be seen that the coefficient of determination (R Square)obtained for 0241, or 24.1% of profitability can be explained by the independent variables are DPK, CAR, LDR and NPL, while the remaining 75.9% means that profitability is influenced by variables not examined in this study.

Third party funds no significant effect on profitability (ROA) because the third-party funds are not solely the company can raise funds, but the company also has to spend the interest expense amount is not small. Thus if the company can rotate the funds sourced from third party funds this well, the company will obtain a high profitability, but if the company can not rotate their funds well, the company will lose.

The results support previous research conducted by the Sukma (2013) with the title The effect of third-party funds, capital adequacy and credit risk on the profitability of banks listed on the Stock

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Exchange stating that the DPK has no significant effect on ROA in banking companies listed on the Stock Exchange Indonesia (BEI).

CAR significant effect on profitability (ROA) due to the higher value of a company's CAR will be more healthy the bank anyway. This is because if a bank has a capital adequacy is good then it can be said the bank will be able to finance their activity with the capital holdings. In addition the bank is also able to support risky assets.
The results support previous studies conducted by Angraini (2014) entitled Effect of Third Party Funds, Capital Adequacy, Credit Risk and Interest Rate on Profitabilitasyang stated that CAR significant effect on ROA in banking companies listed in Indonesia Stock Exchange (IDX) ,

LDR significant effect on profitability (ROA) because if the company has a high liquidity value, then the company will be able to pay all short-term debt.
The results support previous studies conducted by Prasad (2015) with the title Effect of Credit Risk, Liquidity, Capital Adequacy and Operational Efficiency To Profitability At PT BPD Baliyang stated that LDR significant effect on ROA in banking companies listed in Indonesia Stock Exchange (BEI).

NPL significant effect on profitability (ROA) because NPL could become a benchmark of health or the bank's ability to obtain profitability. This is because if the value of the high NPL ituberarti high level of problem loans is also the company will lose money, and if the value of the low NPL it means lower levels of non-performing loans, the company will profit.
The results support previous research conducted by the Sukma (2013) with the title The effect of third-party funds, capital adequacy and credit risk on the profitability of banks listed on the Stock Exchange stating that the NPL significant effect on ROA in banking companies listed in Indonesia Stock Exchange (BEI).

CONCLUSION

From the formulation of the proposed research problem, the data analysis has been done and the discussions that have been raised in the previous chapter, a number of conclusions from this study are as follows:

1. DPK on profitability in banking companies listed in Indonesia Stock Exchange. This suggests that the increase in deposits did not affect profitability.
2. CAR on profitability in banking companies listed in Indonesia Stock Exchange. This suggests that the CAR affect the increase in profitability
3. LDR on profitability in banking companies listed in Indonesia Stock Exchange. This indicates that LDR affect the increase in profitability
4. NPL on profitability in banking companies listed in Indonesia Stock Exchange. This suggests that the increase in NPL affect profitability.

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