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Effect of Non-Performing Loans (NPL), Operational Efficiency Ratio (BOPO) on Return on Assets at Conventional Banks

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ABSTRACT

This study aims to find the effect of non-performing loans (NPL), operational efficiency ratio (BOPO) on return on assets (ROA) at banks in Indonesia for the period 2020. The banking sector is very important because it is conventionally expected to support the government to increase economic growth, but during the pandemic which began in the 2nd quarter of 2020, all sectors have decreased in performance, one of which was banking, due to the inability of customers to pay their credit bills. The object of this research is the financial statements of conventional banks in 2020 with the research method used is explanatory. The population in this study is conventional bank sector in 2020, with a population of 95 banks, and the data analysis used is multiple linear regression . The results show that Non-Performing Loans (NPL) do not significantly affect Return on Assets (ROA) whereas Operational Efficiency Ratio (BOPO) affects Return on Assets (ROA).

Keywords: Non-Performing Loans (NPL); Operational Efficiency Ratio (BOPO); Return on Assets (ROA).

INTRODUCTION

Sector banking experience impact consequence exists the Covid- 19 pandemic in 2020 with year 2022 (Ahmad & Saif, 2010; Chahal & Dutta, 2015; Loureiro & Sarmento, 2018; Vaganova et al., 2019). The impact occurred in several country ASEAN seen with achievement growth weak economy _ where Thing this causing slowdown growth credit and decline profitability sector banking (Anderson et al., 2020; Cooper, 2019; Flaxman et al., 2020; Ramachandran et al., 2012) **.** However thus sector banking at the time pandemic this must own power good hold so you can endure for could support government programs in increase growth economy wrong only one is from facet liquidity and distribution credit (Abdymanapov et al., 2016; Cancino et al., 2015; Doh & Kim, 2014; Nakku et al., 2020; Yemelyanov et al., 2020) . Based on Authority data Service Finance (OJK) continues recovery economy domestic and enhancement mobility Public participate role as well as in push growth credit banking as of June 2022 of more than 10.66% (yoy) . tall from quarter previously of 6.67% (yoy), wrong one pusher awake liquidity banking reflected from the LA /NCD and LA /DPK ratios were 133.35% and 29.99%. Capital rated pretty solid as well believed capable absorb the risks involved with a CAR of 24.66 % . The covid-19 pandemic caused happening ROA decreased by 0.88% with level ROA ratio in 2020 ie 1.59% as served on Table 1:

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Table 1. Banking ROA 2011-2020

Year	ROA Sector banking _	Yo
2020	1.59 %	(0.88 %)
2019	2.47 %	(0.08 %)
2018	2.55 %	0.10 %
2017	2.45 %	0.22 %
2016	2.23 %	(0 .09 %)
2015	2.32 %	(0.53 %)
2014	2.85 %	(0.23 %)
2013	3.08 %	(0.03 %)
2012	3.11 %	0.11 %
2011	3.00 %	-

Source : **www.ojk.co.id**

Sector banking in give credit to society (Akoijam, 2013; Kamau, 2015; Kowo et al., 2019; Munene & MAKORI, 2013) , must ready accept all risk possible credit _ happened . The more big total given credit _ so will increase risk credit will _ experienced a bank. One of them is decline possible profit _ happen because inability Public in pay bill credit corresponding time that has decided by banking (Kumaralita & Purwanto, 2019). Analysis report finance used for detect problem on banking with method analyze and count ratios in report finance so that could anticipate happening failure and guard level banking health .

Performance banking could seen through various type variable or indicator . Variables used _ base evaluation is report finance the company concerned . If performance a company public increase in value will the more tall (Pinasti & Mustikawati, 2018). Difference results study related past _ with influencing factors _ *profitability* that is research conducted _ by Kumaralita & Purwanto (2019) that NIM is influential significant to profitability , then study Pinasti & Mustikawati (2018) with results NPLs don't significant influential to profitability and BOPO effect negative and significant to profitability then study Rusdiansyah et al., (2022) concluded that NPL and BOPO have an effect to profit company . Results study the different with study Rahmawati et al., (2021) that NPLs are not influential significant to profitability then results study (Yusuf Muhammad & Hidayat, 2022)who stated that BOPO basis Partial no influential to Profitability (Apătăchioae, 2015; Okwemba et al., 2014) .

METHOD

Object in study this is report conventional bank finance on year 2020. Method used _ is explanatory. Population in study is a conventional bank in 2020 a number of 95 banks with taking sample use purposive method . As for the criteria used as sample study are:

1. Whole Report Commercial Bank Finance that runs in principle in a manner conventional on report finance 2020 annual .
2. Commercial Banks Conventional which is not is branch from foreign banks in Indonesia.

Table 2. Purposive Sampling Results

No	Criteria Sample	Amount
1	Number of Commercial Banks conventional on end period year 2020	95
2	Commercial Banks Conventional which is branch from foreign banks in Indonesia _	(8)
Total		87

Source : www.ojk.go.id (2021)

Based on the data above , the total sample is the researcher Use is 87 reports _ Commercial Bank finance conventional. *Return on Assets (ROA)* is variable dependent in study this , with use formula *Return on Assets* (ROA). independent variable in study this are NIM (X_1), NPL(X_2) and BOPO(X_3). Data analysis on study this use multiple linear regression with application multivariate analysis using IBM *software (SPSS) version 23*.

RESULTS AND DISCUSSION

Results the Kolmogorov Smirnov test shows the data is normally distributed , because 0.073 > 0.05. The correlation between NPL and BOPO has score results correlation Among variable free of r = 0.625. Because the value of 0.625 not enough from 0 .8 so symptom multicollinearity no detected . In table coefficient , value less standard error from one , namely NPL = 0.73 and BOPO = 0.08, as well score less beta coefficient from one where NPL = -0.59 and BOPO = -0.952. So could said that score low standard error and multicollinearity no detected.

Results significance on respectively variable independent own values above 0.05, p the signify no happen symptom heteroscedasticity. Results F test shows that research model fulfil criteria Goodness of Fit because score significance worth 0.000 < 0.05.

When variable independent that is ratio *Non-Performing* Loans (NPL) and BOPO have value 0 or constant so score ratio *Return on Assets* (ROA) is 9.319. Coefficient ratio *Non-Performing Loans* (NPL) have value -0 .56 signify every 1-point increase in ratio *Non-Performing Loans* (NPL) will reduce ratio *Return on Assets* (ROA) of 0.056 with assumption other variables remain or constant. Coefficient BOPO ratio has value -0.094 signifies every 1-point increase in BOPO ratio will be reduce ratio *Return on Assets* (ROA) of 0.094 with assumption other variables remain or constant .

t test score significance respectively variable own score as following :

1) NPL variable has score significance of 0.443 or above 0.05 , then H_{01} be accepted and Ha_1 _ rejected . it _ indicating no NPL signicant influential on ROA. Sign negative shows NPL has correlation in a manner negative on ROA. So that could concluded the more low NPL value then the more tall ROA value and vice versa the more tall NPL value then the more low ROA value .
2) BOPO variable has score significance of 0.000 or below 0.05 , then H_{02} rejected and Ha_2 accepted . it _ indicating BOPO influence in a manner significant on ROA. Sign negative show BOPO has correlation in a manner negative on ROA. So that could concluded the more low BOPO value then the more tall ROA value and vice versa , the more tall BOPO value then the more low ROA value .

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3) Results R^2 show that the NPL and BOPO variables contributed to ROA of 83.2 %.

CONCLUSIONS

Non-Performing Loans (NPL) are not significant influential on Return on Assets (ROA), p this in line with Pinasti & Mustikawati (2018) as well Rahmawati et al., (2021) with NPL results are not significant influential to profitability, according Manurung (2015) increasingly big ratio credit jammed (NPL) will the more big backup created, then will the more big burden recorded operations _ and resulted decrease profit clean the ends will lower ROA ratio. Burden operational and Income Operational (BOPO) effect on Return on Assets (ROA), p this in line with Buchory (2015), Safitri (2012), Ponttie (2007), Mahardian (2008), Puspitasari (2009), Dewi et. al., (2015), Ali and Laksono (2017), Lubis et . al., (2017) that BOPO has an effect on ROA, the more big cost operational the more small profit clean as possible recorded by the bank, p the impact to decline ROA ratio .

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