The Prevention of Financial Distress on Banking Financial Performance in Indonesia

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Abstract

The banking industry in Indonesia is currently experiencing a big paradigm, where the role of banking is currently experiencing a shift. Threats to bank business performance are also increasing in line with slowing economic growth and potential sectors for bank business. The purpose of this study is to determine the effect of credit risk (Non Performing Financing / NPF), liquidity risk (Financing to Deposit Ratio / FDR), value commposit of Good Corporate Governance, Operational Costs to Operational Income (BOPO), Net Operating Margin (NOM) and Capital Adequacy Ratio (CAR) on Banking Financial Performance in Indonesia. The research method used is descriptive and verification methods, while the statistical analysis method uses multiple regression with eviews 10 software. The population used in this study is banking companies listed on the Stock Exchange for the 2014-2018 period and samples were taken using purposive sampling technique so that the research sample was 32 companies. The data is taken from Bank Indonesia (www.bi.go.id), Financial Fervices Authority (www.ojk.go.id) and the official website of the bank concerned. Based on the research results, (Non Performing Financing / NPF, GCG, Operations on Operating Income (BOPO) has an influence on temporary banking performance (Financing to Deposit Ratio / FDR), Net Operating Margin (NOM) and Capital Adequacy Ratio (CAR) have no effect. on banking performance.

I. Introduction

The economy is a very important sector and is one of the focuses of the government in making various policies to achieve prosperity. So important is this economic sector that in every policy making must consider all aspects that may affect both positive and negative. The economy in Indonesia currently uses a populist economic system where the economic system is based on the strength of the people's economy, where the community holds an active role in economic activities, while the government creates a healthy climate for the growth and development of the business world. (Rosmika, 2019)

Banks are the most important financial intermediation institutions in the economy, and are considered as specialized institutions that provide financial services. The banking sector is also said to be one of the institutions that drive the wheels of the economy, which makes it easier for productive people to get a fund to start a business and help the community's economy in entrepreneurship. According to RI Law No. 10 of 1998 concerning banking "a bank is a business entity that collects funds from the public in the form of savings and distributes them in the form of credit and / or other forms in order to improve the standard of living of the people at large".

The banking world is inseparable from human life, because all human activities involve finance and require banking facilities. In the banking world, institutions that play an important role are banks, the main function of banks is collecting funds from the public and channeling them back in various forms of investment that can generate profits. Therefore, the bank is a business segment whose activities are largely regulated by the government (Siamat in Tarigan 2020)

The banking industry in Indonesia is currently experiencing a big paradigm, where the role of banking is currently experiencing a shift. Banking institutions face challenges in almost all of their business bases, starting from the main business (distributing loans) to secondary businesses (providers of payment instruments). Threats to bank business performance are also increasing in line with slowing economic growth and potential sectors for bank business. The manufacturing sector, which has been the main sector for the banking industry, has slowed further. The contribution of the manufacturing sector to Indonesia's economic growth is already below 20%. Whereas 15 years ago the contribution of the manufacturing sector was still above 25%. Thus, the market share of the banking industry is getting smaller. By looking at the two phenomena above, it can be concluded that banking institutions are currently facing two threats at once. The first threat comes from increasing competition, especially from the proliferation of shadow banking, while the second threat comes from the shrinking market potential. This will be replaced by fintech.

The ability of banks to collect savings and distribute loans to the public must be improved. Savings collected by banks will be able to be used to finance development, meanwhile loans or loans disbursed to the community will be able to be used as an effort to increase the ability of community capital to participate in filling development with various economic efforts undertaken by the community. (Pradata, 2020)

If you look at the development of the Islamic finance industry in Indonesia is currently growing quite rapidly, especially in the Islamic banking sector. The development of Islamic banking in Indonesia saw an increase in 1998, when the monetary crisis that hit Indonesia. The crisis led to bankruptcy experienced by conventional banks. This was due to the decreasing exchange rate of the rupiah against the dollar. In addition, the high interest rates set by Bank Indonesia, high non-performing loans, high inflation rates and unstable conditions in Indonesia led to massive withdrawals of money by customers which ultimately had a negative impact on the Indonesian economy (Kh faced, 2017).

Meanwhile, the condition of conventional banks at that time was different from the conditions of Islamic banks. In fact, Islamic banks are experiencing stable conditions. This is indicated by the entry of Bank Muamalat Indonesia, which is the first Islamic bank to enter Indonesia, as a category of healthy banks that did not have the potential to collapse during the 1997-1998 crises. With these conditions, it shows that the crisis in 1998 did not have an impact on Islamic banks because the operational activities of Islamic banks were not based on interest rates but by using a profit sharing system.

In general, in terms of the performance of all banks in Indonesia, the OJK noted that banking intermediation began to moderate, as reflected in a number of indicators that experienced a slowdown, although in general they were relatively well maintained. For more details, the following is a table of performance appraisal for Conventional Commercial Banks:

Table 1. BUK indicators

Indicator	Nominal			qtq		yoy	
	Des '17	Sep '18	Des '18	Sep '18	Des '18	Des '17	Des '18
Total assets	7.099.564	7.462.753	7.751.655	⬆ 1,45%	⬆ 3,87%	⬆ 9,64%	⬆ 9,18%
Credit	4.548.155	4.921.564	5.092.584	⬆ 2,87%	⬆ 3,47%	⬆ 8,30%	⬆ 11,97%
DPK	5.050.984	5.231.010	5.372.841	⬆ 1,42%	⬆ 2,71%	⬆ 9,08%	⬆ 6,37%
- current accoaunt	1.207.069	1.283.502	1.287.480	⬆ 0,19%	⬆ 0,31%	⬆ 9,28%	⬆ 6,66%
- Savings	1.626.595	1.643.352	1.737.216	⬆ 0,11%	⬆ 5,71%	⬆ 9,38%	⬆ 6,80%
- Deposit	2.217.321	2.304.155	2.348.146	⬆ 3,09%	⬆ 1,91%	⬆ 8,76%	⬆ 5,90%
CAR (%)	23,18	22,91	22,97	89	7	25	(21)
ROA (%)	2,45	2,50	2,55	8	5	23	10
NIM (%)	5,32	5,14	5,14	3	(0)	(32)	(18)
BOPO (%)	78,64	79,13	77,86	(33)	(127)	(358)	(78)
NPL Gross (%)	2,50	2,61	2,33	(2)	(28)	(36)	(17)
NPL Net (%)	1,11	1,17	1,00	(2)	(17)	(9)	(11)
LDR (%)	90,04	94,08	94,78	132	70	(65)	474

Sumber: SPI Desember 2018

From this table it can be interpreted that the intermediary function of conventional commercial banks is quite good with credit growing at an accelerated rate of 11.97% (yoy) amidst the slowing growth of deposits by 6.37% (yoy). With this funding gap, banking liquidity conditions tightened slightly with LDR reaching 94.78%. Even though the LDR exceeds the threshold of 92%, banking liquidity conditions are generally well maintained, as reflected in the LA / NCD and LA / TPF ratios, which were recorded at 102.52% and 21.89%, respectively, or well above the threshold of 50% and 10%. . In line with this, BUK credit risk has gradually improved with gross NPL and net NPL dropping 17 bps (yoy) and 11 bps (yoy) to 2.33% and 1.00% respectively.

As for the development of the performance of Islamic commercial banks we can see in the table below:

Table 2. Performance Development of Islamic Commercial Banks

Indicator	Nominal			qtq		yoy	
	Des '17	Sep '18	Des '18	Sep '18	Des '18	Des '17	Des '18
BUS dan UUS (Rp milyar)							
Total Assets	424.181	456.922	477.327	⬆ 5,48%	⬆ 4,47%	⬆ 18,98%	⬆ 12,53%
Financing	285.695	310.519	320.193	⬆ 5,25%	⬆ 3,12%	⬆ 15,20%	⬆ 12,08%
Third-party funds	334.719	355.446	371.828	⬆ 4,17%	⬆ 4,61%	⬆ 19,83%	⬆ 11,09%
Wadiah demand	40.045	44.258	43.597	⬇ -0,49%	⬇ -1,50%	⬆ 43,16%	⬆ 8,87%
Mudharabah savings	98.449	105.811	114.437	⬆ 4,34%	⬆ 8,15%	⬆ 15,57%	⬆ 16,24%
Mudharabah deposits	196.226	205.377	213.794	⬆ 5,15%	⬆ 4,10%	⬆ 18,08%	⬆ 8,95%
BUS (%)							
CAR	17,91	21,25	20,12	66	(113)	128	221
ROA	0,63	1,41	1,28	4	(13)	0	64
NOM	0,67	1,59	1,42	2	(17)	(1)	76
BOPO	94,91	88,08	89,18	(66)	109	(130)	(574)
NPF gross	4,77	3,82	3,26	(1)	(56)	35	(150)
FDR	79,65	78,95	78,53	27	(42)	(634)	(112)

Sumber: Statistik Perbankan Syariah (SPS), Desember 2018

The performance of Islamic banks in 2018 was generally more solid, as reflected in the strengthening capital of Islamic Commercial Banks supported by increased profitability in line with their ability to improve efficiency and quality of financing (decrease in NPF). Islamic bank liquidity is still adequate with FDR that is within the safe threshold.

Looking at the current banking conditions, it has prompted the parties involved to conduct an assessment of the health of the bank to avoid financial distress, especially in the

face of increasingly fierce competition in the banking sector. A fairly good bank condition does not guarantee that the bank is considered a healthy category.

As a result of these conditions, there are many risks that will be faced by every company, including banks in Indonesia. Risk is a problem that will be faced by every business entity. One of the risks faced by banks in Indonesia is related to the risk of bankruptcy. The risk of bankruptcy is the failure experienced by the company in carrying out the company's operational activities to generate profits (Oktarina, 2017). One way that can be used to avoid the risk of bankruptcy is by analyzing the company's own financial statements (Abrori, 2015). The risk of bankruptcy or financial distress can be carried out through an Islamic bank soundness assessment using the RBBR (Risk Based Bank Rating) method. The ratios used in the measurement of RBBR include credit risk (Non Performing Financing / NPF), liquidity risk (Financing to Deposit Ratio / FDR), the composite value of Good Corporate Governance, Operational Costs to Operating Income (BOPO). Net Operating Margin (NOM), and Capital Adequacy Ratio (CAR).

Every bank in Indonesia requires good performance monitoring by a banking regulator or banking supervisory body, because banking performance is one of the factors that affect the soundness of a bank. One way to assess the performance of a bank is to see how big the level of profitability of a bank is. Bank performance can be measured by Return On Equity (ROE) and Return On Assets (ROA). According to Lukman Dendawijaya (2013: 120) in Mustika (2016), ROA focuses on the company's ability to obtain earnings in company operations, while ROE only measures the return obtained from the investment of the company owner in the bank business. For the performance ratio used in this study is ROA with the reasons, ROA can be used to measure how well a bank's ability to manage its assets as a whole. In addition, ROA can be used to compare performance between banks from one period to another. The following is the percentage of ROA of Conventional Banks from 2014-2018:
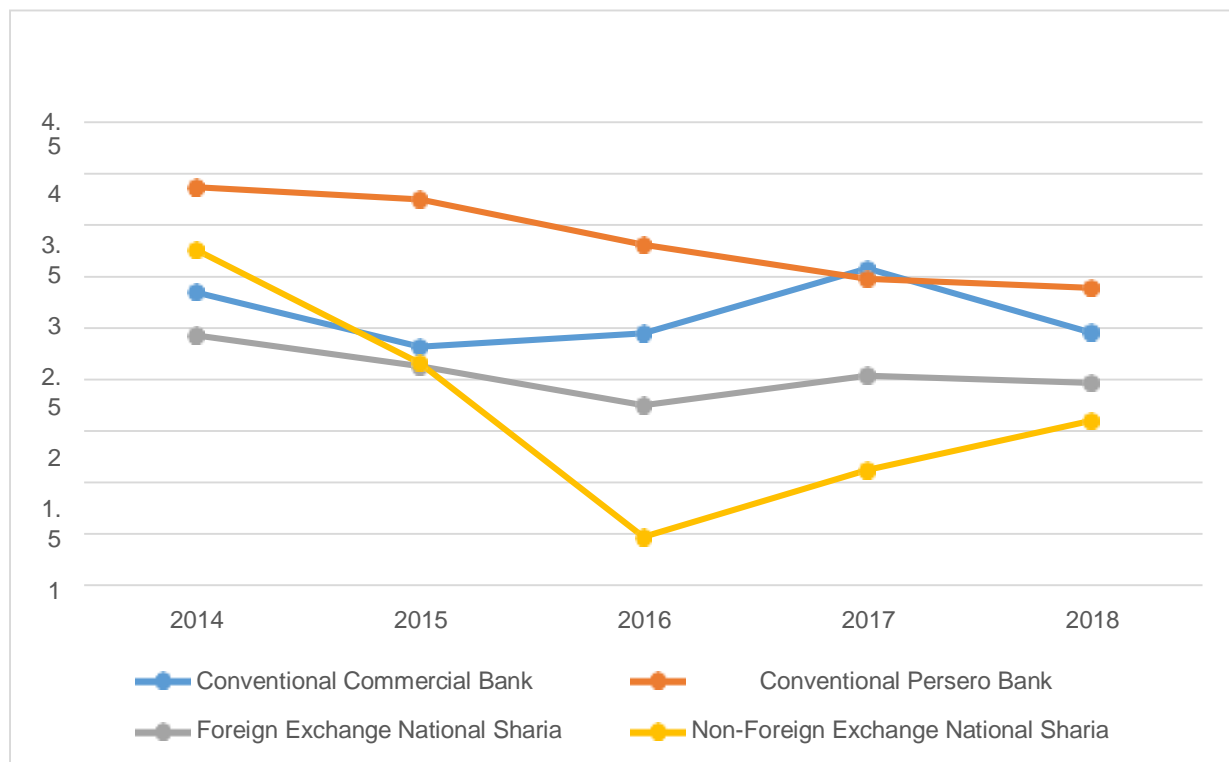
Figure 1. *Development of ROA in Banking in Indonesia*

If we look at the graph above, there are several bank groups that have a stable ROA value, but some have the lowest ROA value, namely the National Non-Foreign Exchange National Sharia Commercial Bank which has an ROA value of 0.5%, far from the good category which generally values The ideal ROA is 5%. This proves that the performance table which is said to be quite good in the previous discussion does not necessarily have a good profitability value either. If this continues, the worst risk, namely Financial Distress, does not rule out it will occur.

Based on the background and phenomena previously described, the problem formulations in this study are:

1. How is the effect of credit risk (Non Performing Financing / NPF) on Banking Financial Performance in Indonesia?
2. How is the effect of liquidity risk (Financing to Deposit Ratio / FDR) on Banking Financial Performance in Indonesia?
3. How influence score composite Good Corporate Governance on Banking Financial Performance in Indonesia?
4. How are the effects of Operational Costs on Operating Income (BOPO) on Banking Financial Performance in Indonesia?
5. How is the effect of Net Operating Margin (NOM) on Banking Financial Performance in Indonesia?
6. How is the influence of Capital Adequacy Ratio (CAR) on Banking Financial Performance in Indonesia?

II. Review of Literatures

2.1 Definition of Financial Distress

Financial distress starts when a company fails to meet its payment schedule or when cash flow projections indicate that the company will soon fail to meet its obligations. (Bringham and Daves, 2003). Meanwhile. Darsono and Ashari, 2005 stated that Financial Distress or financial difficulties can be interpreted as the inability of a company to pay its financial obligations at maturity which causes the company's bankruptcy. Financial Distress occurs when a company fails or is no longer able to meet the debtor's obligations due to lack of and insufficient funds to run or continue its business again.

2.2 Risk Based Bank Rating (RBBR)

In Bank Indonesia Regulation No.13 / 1 / PBI / 2011 article 2, it is stated that banks are required to conduct an assessment of the soundness of a bank using a risk approach (Risk Based Bank Rating), either individually or on a consolidated basis. In this method there are several indicators as a reference, namely:

a. Risk Profile

According to Bank Indonesia Regulation No. 13/1 / PBI / 2011 risk profile is an assessment of inherent risk and the quality of risk management implementation in bank operations carried out on 8 (eight) risks, namely, credit, market, liquidity, operational, legal, strategic, compliance and reputation risks. This study measures credit risk using the Non Performing Loan (NPL) ratio and the Loan to Deposit Ratio (LDR) ratio to measure liquidity risk Credit risk using the Non Performing Loan (NPL) ratio is calculated by the formula:

$$NPL = \frac{(Non\ Performing\ Credit)}{(Total\ Credits)} \times 100\%$$

Liquidity risk using the Loan to Deposit Ratio (LDR) is calculated using the formula:

$$LDR = \frac{(Number\ of\ credits\ granted)}{(Third-party\ funds)} \times 100\%$$

b. Financing to Deposit Ratio (FDR)

The Financing to Deposit Ratio (FDR) is used to measure a bank's ability to meet its short-term obligations or obligations that are due. This ratio states how far the bank's ability to repay depositors' withdrawals by relying on the financing provided as a source of liquidity. The greater the financing, the income earned will also increase, because income increases automatically the profit will also increase. In other words, how far the provision of financing to customers can offset the bank's obligation to immediately fulfill the request of depositors who want to withdraw the money that has been used by the bank to provide financing.

$$FDR = \frac{Total\ Financing}{Total\ Third\ Party\ Funds} \times 100\%$$

c. Good Corporate Governance (GCG)

By analyzing the Good Corporate Governance report that is guided by Bank Indonesia Regulation No.13 / 1 / PBI / 2011 by looking for published annual reports and determining the assessment carried out by the bank based on a self-assessment system.

Table 3. Criteria for Determination of GCG Rating (self-assessment)

Rating	Information
1	Very good
2	Good
3	Pretty good
4	Not good
5	Not good

Source: Bank Indonesia Circular No. 15/15 / DPNP in 2013

d. Earning (Rentability)

The assessment of earnings (profitability) is measured using the Return on Assets (ROA) ratio using the following formula:

$$ROA = \frac{(Profit\ before\ tax)}{(Average\ total\ assets)} \times 100\%$$

e. Capital

Riyadi (2006: 171) states that every bank operating in Indonesia is required to maintain the Minimum Capital Adequacy Requirement (KPMM). The level of the Capital Adequacy Ratio or CAR of a bank will be influenced by two main factors, namely the amount of capital owned by the bank and the amount of Risk Weighted Assets (RWA) managed by the bank. This is because the assessment of the capital factor is based on the ratio of Capital to Risk Weighted Assets (RWA). The assessment of capital factors is measured using the Capital Adequacy Ratio (CAR) with the following formula:

$$CAR = \frac{(Bank\ capital)}{(Risk\ weighted\ assets)} \times 100\%$$

f. Financial Performance

The following is an understanding of financial performance according to several experts:

Financial performance according to Sutrisno (2009) is an achievement that a company achieves in a certain period that reflects the health level of the company. Financial performance according to Jumingan (2006) is a description of a company's financial condition in a certain period, both regarding the aspects of raising funds and channeling funds which are usually measured by indicators of capital adequacy, liquidity and profitability. Meanwhile, according to Rudianto (2013), financial performance according to Rudianto is the result or achievement that has been achieved by company management in carrying out its function of managing company assets effectively during a certain period. Financial performance is needed by companies to determine and evaluate to what extent the company's success rate is based on the financial activities that have been carried out.

g. Financial Ratios

Financial ratios are a tool for analyzing and measuring company performance using the company's financial data. Financial data can be taken from financial reports such as income statements, balance sheets, cash flow reports, and other reports.

h. Profitability Ratio

Profitability ratio shows the company's ability to generate profits (profits). By using this ratio you can find out the company's survival (going concern). ROA shows the company's ability to generate after tax operating profit from the total assets owned by the company. Profit that is calculated is profit before interest and tax or EBIT (Earning Before Interest and Tax).

$$ROA = \frac{(Net\ income\ after\ tax)}{(Total\ assets\ or\ average\ total\ assets)} \times 100\%$$

III. Reseach Methods

3.1 Method of Analysis

The method used in this study uses descriptive and verification methods, while the research data analysis method uses multiple regression with the Eviews 10 software tool. One of the multivariate and econometric data analysis software that can manage various types of data is the eviews program. The multiple regression formulas used in this study are:

$$Y_{it} = \alpha + \beta 1 X1_{it} + \beta 2 X2_{it} + \beta 3 X3_{it} + \beta 4 X4_{it} + \beta 5 X5_{it} + \beta 6 X6_{it} + \varepsilon$$

Where:
Y: Financial Performance (ROA)
α: Regression equation constant
β1 - β6: The coefficient of the independent variable
it: Company Year

X1: NPF
X2: FDR
X3: GCG
X4: BOPO
X5: NOM
X6: CAR
ε : Error Term

3.2 Population and Sample

The population in this study were banks listed on the Indonesia Stock Exchange (BEI) for the 2014-2018 period. Sampling was carried out using purposive sampling method, where the researcher provided certain criteria in sampling. The criteria that must be met by the sample in this study are as follows: 1) Banks listed on the Indonesia Stock Exchange for the 2014-2018 period, 2) Banks that have complete data related to research variables during the 2014-2018 period, 3) Banks that have a positive ROA during the 2014-2018 period. So that the number of samples used in this study were 32 banking companies.

3.3 Data Collection Technique

The type of data used in this research is panel data. Panel data is a special type of pooled data where the same cross-sectional unit is researched over time (Gujarati, 2012). This study uses annual financial report data from commercial and Islamic banks listed on the Indonesia Stock Exchange for five (5) consecutive years (2014-2018) to see the financial performance of banks. In this study, the data source used was secondary data. The research data were obtained indirectly and through intermediary media. The intermediary media used are: Libraries, in the form of theoretical books that support calculation and analysis, Bank Indonesia (www.bi.go.id), Financial Fervices Authority (www.ojk.go.id) and the official website of the bank concerned.

IV. Result and Discussion

4.1 Descriptive statistics

Descriptive statistics provide a description or description of data seen from the average (mean), standard deviation, maximum and minimum (Sugiyono, 2012: 206). Based on Table 4, it can be seen the results of the calculation of the mean, standard deviation and the maximum and minimum value of each variable.

Table 4. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	160	-11.15	4.74	, 9853	2,26865
CAR	160	8,02	66.43	20.3217	7,58423
NPF	160	, 08	9.93	1,9956	1.39991
NOM	160	-29.13	12.00	4,8417	3,40337
BOPO	160	56.04	235.20	91,3842	22,06645
FDR	160	8.35	145.26	86.1760	12,87653
GCG	160	1	3	2.05	, 473
Valid N (listwise)	160				

Source: Data processed with Eviews 10 (2020)

From the results of ROA (return on assets) testing, it was found that the average ROA value of 33 banking companies was 0.9853, the maximum value was 4.74 and the minimum value was -11.15, while the standard deviation value was 2.26865. The average ROA value of 0.9853 means that every Rp. 1 of company assets can generate Rp. 2.26865 profit.

From the test results, the average CAR of banking companies in Indonesia is quite high, namely 20.3217. The maximum value is66.43, the minimum value of 8,02and the standard deviation 7,58423. When compared between the average and standard deviation, it can be said that the data for this variable is well distributed, because the average is higher when compared to the standard deviation. This also applies to NPF, NOM, BOPO, FDR and GCG.

4.2 Multiple Regression Analysis

To get good regression analysis results, it is necessary to test classical assumptions, where based on the results of testing classical assumptions consisting of normality tests, the data fulfills these elements. The data is normally distributed and free from autocorrelation, multicolonierity, and heteroscedasticity problems. So that the analysis can be continued to the next level, namely regression analysis and testing of goodness of fit.

Regression analysis was performed by placing ROA as the dependent variable, and CAR, NPF, NOM, BOPO, FDR and GCG as the dependent variable. The results of the regression analysis can be seen in Table 5, namely:

Table 5. Results of Regression Analysis with Common Effects, Fixed Effects, and Random Effects

Dependent Variable: ROA						
Method: Least Square Panel						
sampels: 2014-2018						
Periods included: 5						
Cross-Sections Included: 32						
Total panel (unbalance) observations: 158						
Independent Variable	Common Effect		Fixed Effect		Random Effect	
C	14.69654	0.0000	9.506500	0.0000	15.21286	0.0000
CAR	-1.321418	0.1884	-1.690830	0.0935	-1.367842	0.1734
NPF	-3.287961	0.0013	-3.461298	0.0007	-3.403472	0.0009
NOM	2.137489	1.0342	-0.021949	0.0000	2.212583	0.0284
BOPO	-18.47938	0.0000	-14.27590	0.8541	-19.12859	0.0000
FDR	-0.732584	0.4649	-0.184330	0.8541	-0.758321	0.4494
GCG	0.172911	0.0236	-2.008181	0.0469	-2.366581	0.0192
R-Square	0.861549		0.897314		0.861549	
F-Stat	156.6062	0.000000	28.34095	0.000000	156.6062	0.000000
Hausman Test	18.056899 (0.0061)					
	H0 rejected: Fixed Effect Model					
Chow Test	47.217593 (0.0112)					
	Fixed Effect Model					

Source: Data processed with Eviews 10 (2020)

Based on Table 5, the Chow Test conducted shows that the Chi Square value is 0.0291 which means it is smaller (<) than Alpha 5%, so H0 is rejected. So based on the Chow Test, the best model between the Common Effect Model and the Fixed Effect Model is the Fixed Effect Model. Then the test is continued again by using the Hausman Test to choose the best model between the Fixed Effect Model and the Random Effect Model. Based on the

estimation results using the Hausman Test it can be seen that Prob. The Cross Section Random is 0.0061, which means 5% smaller Alpha so that H0 is rejected and the best model chosen is the model with the Fixed Effect method.

The regression model from the results of this study uses the Fixed Effect model method, namely:

$$ROA = 9.506500 - 3.461298\,NPF - 0.184330 FDR - 2.008181\,GCG - 14.27590\,BOPO - 0.021949 NOM - 1.690830\,CAR + \varepsilon$$

4.3 Coefficient of Determination

Based on Table 5, the R-squared value is obtained 0.861549. These results concluded that the contribution of the independent variables (NPF, FDR, GCG, OEOI, NOM and CAR) to the dependent variable (ROA) was 86.1549% and 89.7314% was determined by other variables not analyzed in this study.

4.4 F Test (Simultaneous)

Based on Table 5 which has been shown previously, the Prob value (F-statistic) is 0.0000. These results indicate that the Prob value (F-statistic) is smaller than the significance level ($0.0000 < 0.05$), which means that H0 is rejected, H1 is accepted. Based on the F test, it shows that all the independent variables ((NPF, FDR, GCG, OEOI, NOM and CAR) simultaneously have a significant effect on the dependent variable (ROA).

4.5 T-test (partial)

Table 6. T-test (Partial Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	9,636242	1.013648	9.506500	0.0000
CAR	-0.001303	0.000771	-1.690830	0.0935
NPF	-0.266576	0.077016	-3.461298	0.0007
NOM	-0.021949	0.027879	-0.021949	0.0000
BOPO	-0.073398	0.005141	-14.27590	0.8541
FDR	-0.001535	0.008328	-0.184330	0.8541
GCG	-0.553991	0.275867	-2.008181	0.0469

Source: Researcher Processed Data (2020)

a. The effect of NPF on ROA

From the data processing, the Prob value is obtained. NPL of $0.0007 < 0.05$, then H0 is rejected and β (-) means that NPF partially affects ROA, this means that NPF has a negative effect on profitability. It can be said that the relationship between (NPF) and profitability is negative, namely the higher (NPF), the lower the bank's profitability will be. The higher the NPF, the worse the quality of bank credit, which causes the number of non-performing loans to be higher (Fifit, 2013). The high level of NPF makes banking companies have to bear losses in their operational activities so that it affects the decline in return on assets. These findings are supported by the results of previous research conducted by Zulhemli and Ryan (2014), Hantono (2017), Bhattarai (2016), Julita (2014).

b. Effect of FDR on ROA

From the data processing, the Prob value is obtained. FDR is 0.8541> 0.05, then H0 is accepted and β (-) means that FDR partially has no effect on ROA. According to Dendawijaya (2005), FDR states to what extent a bank's ability to repay depositors' withdrawals by relying on credit provided as a source of liquidity. This ratio is also an indicator of the vulnerability and capability of a bank. Then according to Kasmir (2014) FDR is a ratio used to measure the composition of the amount of credit given by the amount of public funds and the capital used. The lower the FDR value means that it shows a liquid bank with excess funding capacity that is ready to be lent. Conversely, the higher the FDR indicates that a bank lends all of its funds or is relatively illiquid. This does not affect the ROA due to the large asset ownership of banks in Indonesia. And the second possibility is that banking income is not only from interest income from loans provided to the public but also generated from commission-based income. For example, an article published in Bisnis.com (2013) states that banks have begun to shift from focusing on earning interest income to fee-based income. Due to the fact that currently more and more customers need convenience in transactions, insurance and investment. As such, the products are the source of commission-based income.

c. Effect of GCG on ROA

From the data processing, the Prob value is obtained. GCG is 0.0469 <0.05, then H0 is rejected and β (-) means that GCG partially affects ROA. The implementation of GCG, which is required by Bank Indonesia, requires banks to periodically carry out a comprehensive self-assessment of the adequacy of the implementation of Good Corporate Governance, so that if there are still deficiencies in its implementation, the Bank can immediately establish an action plan which includes the necessary corrective actions (Arbi , 2013: 261). The better the implementation of GCG, the more the company's ability to generate profits will increase. This supports the results of research by Wilopo (2011) which states that the implementation of GCG will improve company performance because the decision-making process will take place better so that it will produce optimal decisions, increase efficiency and create a healthier work culture. However, these findings contradict research conducted by Astutik (2014) which states that the GCG self-assessment composite value does not affect ROA.

d. Effect of BOPO on ROA

From the data processing, the Prob value is obtained. NPL of 0.000 <0.05, then H0 is accepted and β (-) means that BOPO partially affects ROA. It can be seen that an increase in bank operating costs which is not accompanied by an increase in bank operating income will result in reduced profit before tax, which in turn will reduce Return On Assets. This research is in line with research by Sianturi (2012) and Nuraini (2016) which state that OEOI has an effect on ROA of banking companies.

e. The Effect of NOM on ROA

From the data processing, the Prob value is obtained. NOM of 0.0000 <0.05, then H0 is rejected and β (-) means that partially NOM has no effect on ROA. This means that every increase in NOM will increase ROA. One of the components in generating profit is the net interest obtained from the difference between interest income and interest costs. So that if the net interest income increases, the profit will also increase. The increase in income indicates that financial performance is also getting better. These results are consistent with research conducted by Ali & Roosaleh (2017).

f. Effect of CAR on ROA

From the data processing, the Prob value is obtained. CAR is 0.0935> 0.05, then H0 is accepted and β (-) means that partially CAR has no effect on ROA.

Based on the test results in this study, it was found that CAR had no effect on ROA due to the data penomena research bank financial statements during the study period the Capital Adequacy Ratio (CAR) has increased but Return on Assets (ROA) has decreased. Another reason is that banks may still have a lot of funds not disbursed for credit so that profits are not maximized. This is in line with the research of Taufik (2012) and Slamet (2017), and contrary to the research of Yuliani (2007) and Bambang (2010).

V. Conclusion

Based on the results and discussion, it can be concluded that:

1. Credit risk (Non Performing Financing / NPF) has an effect on Banking Financial Performance in Indonesia
2. Liquidity risk (Financing to Deposit Ratio / FDR) has no effect on banking financial performance in Indonesia
3. Score composite Good Corporate Governance has an effect on Banking Financial Performance in Indonesia
4. Operational Costs on Operational Income (BOPO) affect banking financial performance in Indonesia
5. Net Operating Margin (NOM) has no effect on Banking Financial Performance in Indonesia
6. Capital Adequacy Ratio (CAR) has no effect on Banking Financial Performance in Indonesia

Suggestion

The suggestions that the writer can describe are based on the conclusions, namely:

1. Users of banking financial services, especially Islamic banking, should be able to consider the performance of banks before deciding on a choice of Islamic banking in Indonesia by taking into account banking financial ratios, both in the form of variables in this study and those not included in the study.
2. This research is expected to provide benefits to investors as well as for banks to be able to make economic decisions that affect bank profitability due to and related to financial performance.

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