International Journal of Economics, Management, Business and Social Science (IJEMBIS)
Peer-Reviewed – International Journal
Volume 4, Issue 1, January 2024
E-ISSN: 2774-5376
https://cvodis.com/ijembis/index.php/ijembis

Analysis of Financial Performance of Banking Companies That Are Members of the Kompas100

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Citation: Sitio, N.M., & Fatimah, S. (2024). Analysis of Financial Performance of Banking Companies that are Members of the Kompas100. INTERNATIONAL JOURNAL OF ECONOMICS, MANAGEMENT, BUSINESS AND SOCIAL SCIENCE (IJEMBIS), 4(1), 235–239.
https://cvodis.com/ijembis/index.php/ijembis/article/view/342

Received: December 24, 2023
Accepted: January 17, 2024
Published: January 29, 2024

Abstract
Banking plays a vital role in managing the wheels of economic transactions in a country's society. Therefore, as a financial institution with an intermediary function, banks must demonstrate sound financial performance through their financial ratios. This study aimed to determine the effect of the ratio of Non-Performing Loans, Loan Deposit Ratios, and Operational Efficiency Ratio on Return on Assets in Kompas100-indexed banking in 2018-2020. Eight research samples meet the criteria in the purposive sampling method with data analysis using multiple linear regression. The findings of this study are that non-performing loans and loan-to-deposit ratios have a positive but insignificant effect on return on assets. In contrast, operational efficiency ratios negatively and significantly affect return on assets. Simultaneously, non-performing loans, Loan to Deposit Ratios, and Operational Efficiency Ratios significantly affect Return on Assets.
Keywords: Financial performance, Index, Kompas100

1. Introduction

The country's economic growth is inseparable from the existence of banking companies that function as financial institutions and finance national development. This role is closely related to the role of the Bank as an intermediary in charge of collecting funds and channelling back funds deposited by the community to meet the country's development needs. With the intermediation function, banks indirectly manage public funds for the community. From this perspective, banks need to increase competitiveness and pay attention to bank results because good bank results can show that the bank's solvency is also good.

The research conducted by researchers is a study of banks listed on the Indonesia Stock Exchange (IDX) which have successfully entered the Kompas100 index from 2018 to 2020. Researchers are interested in their research on the Kompas100 index because its shares have good liquidity. This is to IDX information on its official website at (Idx.co.id, 2021), which reveals that the Kompas100 index is a stock index consisting of 100 shares of public companies traded on the Indonesia Stock Exchange, with a portion of 72.98% of the total value of Rp. The stock market value on January 29, 2021, was 6,763.37 billion.

According to Rawung et al. (2019), bank financial performance can be known by analysing the quality of banking operations, which can be identified through several parameters or measuring tools. These metrics include, for example, financial indicators determined by analysing bank reports based on specific financial periods. The financial performance of banks assessed by metrics can be used among several parameters to evaluate essential relationships and trends, which can be the basis for reflection to recognise the potential of banking in the future. One can be known by looking at the company's profitability level under Return on Investment.

According to Bank Indonesia regulations, A bank can be financially efficient if its return on capital ratio is at least 1.5%. Based on the information obtained by researchers, it can be seen that the indicators used to calculate the return on investment ratio of Kompas100 index banks experienced a decrease in profit before tax, which gradually increased from 2018 to 2020. This contrasts with the total balance sheet, which increased significantly between 2018 and 2020. A decrease in pre-tax profit and an increase in total assets can decrease the return on investment ratio. In 2020, the average ROA value at Kompas100 index banks was 1.59%; in 2019, it decreased by 0.82%, which was 1.59%. 2.41% The decline was caused by an increase in wealth that was not matched by an increase in profits. The three Kompas100 index banks with the lowest ROA position in 2020 are BNI (0.50%), BTN (0.69%) and Bank Permata (1.00%).

One of the causes of increased wealth not accompanied by increased profits is a decline in the quality of earning assets (loans). This is because distressed assets or loans can decrease the returns a bank has to make on its loans. Some financial metrics closely related to asset performance and affect bank performance are recovery ratios reflected by the NPL ratio, liquidity ratios reflected by the LDR ratio, and profitability ratios reflected by the BOPO exchange rate. It can assess a bank's effectiveness in generating revenue while minimising costs. From 2018 to 2020, the total bad debts and loans of Kompas100 index banks have increased. An increase in both indicators can lead to an increase in the NPL ratio. This sequential increase reflects a significant increase in non-performing loans from some banks such as BCA, BRI, and Mandir Bank. Information from the annual reports of each Kompas100-indexed bank published on the Indonesia Stock Exchange shows that Bank Mandiri will experience a significant increase in 2020.

It was found that the banking sector with the Kompas100 index recorded an increase in operating cost indicators for three consecutive years. Similarly, operating income increased from 2018 to 2019 but decreased in 2020. When viewed from the ratio, BOPO continued to increase during the 2018-2020 period, which means banks are not managing costs and profits efficiently. Banks with the Kompas100 index that experienced an increase in the BOPO ratio were BCA, BRI and BNI banks. Bank BNI experienced significant growth of the three banks, from 73.2% in 2019 to 93.3% or an increase of 20.1% in 2020. Although it is still in a safe position, this figure is still high compared to the industry, which follows the BOPO level of the banking industry in 2020, according to Indonesian banking statistics (Ojk.go.id, 2020). 86.58% (an increase of 7.19% compared to the previous year, which amounted to 79.39%). Based on Bank BNI's annual report, the increase in the BOPO ratio at Bank BNI was due to the COVID-19 pandemic in 2020, so operating income did not increase while operating expenses increased significantly by 156.6%.

As an index listed on the IDX with good fundamentals, it turns out that during its journey from 2018 to 2020, there are still several banking companies in the Kompas100 index that have few problems with their financial performance, be it problems with credit quality, liquidity, or efficiency in managing company finances. Departing from these problems, the researcher's interest in researching the financial performance of Kompas100 indexed banks in 2018-2020 is getting stronger, reflected in the profitability ratio, credit quality/collectibility ratio, and liquidity ratio. The title of this study is Financial Performance Analysis on Banking Companies that are members of the Kompas100.

2. Research Methods

The method used is quantitative because this approach is more structured in conducting a study that aims to measure data using statistical tools and then conduct data analysis that can generalise the results from the sample to the population (Suliyanto, 2018). This type of research is used to find out how researchers solve problems or test existing hypotheses through correlational and verification research. Secondary data in the form of banking financial ratios are obtained from annual reports sourced from the Indonesia Stock Exchange (IDX) and each bank's website when information from IDX is challenging to access, or the information needed is incomplete. There are 19 banking companies in the population, and 8 are used as research samples with purposive sampling techniques. The data collection techniques researchers use are documentation techniques and library research. The data used in this study is panel data, a combination of time series and cross-section data.

3. Results and Discussion

3.1. Results

The R-squared test result of 97.95% shows that Non-Performing Loan, Loan Deposit Ratio, and Operating Expenses on Operating Income can describe the variation in Return on Asset as the dependent variable. While the remaining 2.05% is explained by other factors not included in the research variables. Due to the R-squared value obtained, it can be said that the three independent variables in this study can provide the information needed to estimate the level of increase and decrease in the dependent variable.

Similarly, the simultaneous test results can be seen in Table 9, where it is found that the F-statistic value is 318.7141 with a significance level of 0.0000, which means <0.05. Thus, it can be concluded that simultaneously, the independent variables of non-performing loans, loan deposit ratio, and operating costs on operating income significantly influence the return on assets in banks incorporated in the Kompas100 Index in 2018-2020. The following is a discussion of the results of partial influence testing:

The Effect of Non-Performing Loans on Return on Assets in Kompas100 Indexed Banks in 2018-2020

A non-performing loan is a ratio that compares the total non-performing loans due to payment constraints by creditors with the total amount of credit that the Bank has managed to distribute. The existence of non-performing loans functions as a ratio that can show the capability of banks in managing the loans they distribute to parties who need funds and monitor how far the credit problems experienced by bank companies, be it substandard, doubtful or bad credit. These credit problems require special attention so the company does not have to restructure smooth credit.

The effect of Loan Deposit Ratio on Return on Asset in Kompas100 indexed banking in 2018-2020

Loan Deposit Ratio compares the financing the Bank successfully distributes to creditors and the financial resources the company obtains from customers or debtors. The existence of LDR as a liquidity ratio aims to show the capability of banking companies to carry out their function as intermediary institutions, namely carrying out their operations to collect funds from surplus parties and channel them back to deficit parties to help the funding concerned. As a helpful ratio in liquidity assessment, the Bank must be able to control a proportional level of liquidity to pay its obligations to customers who want to withdraw their funds at any time and in large quantities. The higher the LDR value of a bank, the higher the credit it has successfully channelled so that it can potentially increase the profitability of the bank, with one note that the credit it distributes does not experience many problems.

The Effect of Operating Costs on Operating Income (BOPO) on Return on Assets in Kompas100 Indexed Banks in 2018-2020

Operating Expenses on Operating Income (BOPO) is a banking ratio that compares operating costs (expenses directly related to company activities) with the operating income that the Bank has managed to collect in a certain period. BOPO is also known as Operation Efficiency. It functions as an efficiency ratio to assess the banking capability to manage the costs incurred to a minimum and obtain maximum income. A decrease in the value of a bank's BOPO ratio can show that the company is more efficient in managing its business operations. BOPO can be categorised in the profitability ratio to measure the efficiency of the company's operations. Therefore, the Bank must strive for this BOPO ratio not to exceed the upper limit of the number set by the government so that the company can continue to increase its profitability.

A healthy bank must have profitability that continues to increase. To help realise this, operating efficiency is needed to determine the extent to which the Bank's operations in carrying out its main business are carried out as well as possible to align with the wishes of management or shareholders.

3.2. Discussion

The results of these findings support research conducted by Mimelientesa Irman and Vivi Wulansari (2018) with the title "Analysis of the Effect of Camel Ratio on Banking Financial Performance at Banks Listed on the Indonesia Stock Exchange in 2011-2016", Hendrian Perdana and Fajri Adrianto (2020) entitled "The Effect of Corporate Governance Mechanisms, Capital Adequacy Ratio, and LDR on Banking Financial Performance", and Emmy Vismia Indyarwati and Nur Handayani (2017) with the title "The Effect of CAMEL Ratio on Islamic Banking Financial Performance". The negative and significant effect of BOPO on ROA shows that the higher the BOPO value, the lower the profits the bank earns (Indyarwati & Handayani, 2017). The results of these findings indicate that the level of efficiency in Kompas100 indexed banks when carrying out their business operations has a significant influence on the profitability that the Bank will obtain; if the BOPO value experiences a spike, it can have a negative impact on banking Return on Asset due to the level of efficiency that is not yet appropriate.

The regression coefficient results of -0.1090 and significant mean that the high and low BOPO values greatly influence the variation in return on Assets. The operating efficiency function in banking companies incorporated in the Kompas100 index during the 2018-2020 period has been well managed to maintain the percentage of the BOPO ratio in a safe position. It can increase the

Bank's Return on Asset. This can be seen through the mean value of BOPO data in Kompas100 indexed banks, which amounted to 78.40%. Referring to Bank Indonesia Circular Letter Number. 13/24 / DPNP dated October 25, 2011, explains that BOPO with a value below or equal to 92% (< 92%) is declared very healthy.

4. Conclusion

Non-performing loans have a positive but insignificant effect on return on Assets in banks that are members of the Kompas100 index from 2018 to 2020.

Loan to Deposit Ratio has a positive but insignificant effect on Return on Assets in banks incorporated in the Kompas100 index in 2018-2020.

Operating expenses on operating income have a negative and significant effect on return on Assets in banks that are members of the Kompas100 index from 2018 to 2020.

Non-performing loans, Loan Deposit Ratio, and Operating Expenses on Operating Income simultaneously or together significantly affect the Return on Assets in banks that are members of the Kompas100 index in 2018-2020.

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