Kadek Indradiradja Kepakisan

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The Effect of Financial Ratios on Profit Growth at PT. BPR Pedungan

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Abstract: *An indicator of the success of a company can be seen in the growth of the profit level in a certain period. Profit growth is important for the company because it is very useful for third parties as a consideration in making decisions. One of the tools in predicting profit growth is financial ratio analysis. This research aims to identify the effect of financial ratios on profit growth at PT. BPR Pedungan. The financial ratios used are LDR, ROA, NIM, and PR. The sample in this research is quarterly financial report of PT. BPR Pedungan from 2014 to 2021, totaling 32 samples. The independent variable used are loan to deposit ratio, return on asset, net interest margin, and primary ratio, while profit growth as the dependent variable. The data analysis technique used are statistic descriptive test, classical assumption test, multiple linear regression test (F test, t test, coefficient of determination test) with the SPSS 26 program. The result showed that LDR, ROA, NIM, and PR has a simultaneously effect on profit growth. While there is variable that only has a partial effect on profit growth is ROA*

Keywords: *profit growth, LDR, ROA, NIM, PR*

Informasi Artikel: Pengajuan Repository pada September 2022/ Submission to Repository on September 2022

Introduction

In stock investment, investors need important information from the company in the form of financial statements to see the company performance. In order to successfully attract capital from third parties, the company must improve its performance every period. One of the indicators assessed from the success of a company is the growth of the company's profits. The development of the company can be reviewed from the company's financial statements every month or period. The company's financial statements are presented to see the company's financial performance and financial position which is useful in making decisions for third parties as well as other parties (Kasmir, 2008). In seeing and knowing the financial performance of the company, report users usually use financial ratio analysis. Financial ratio analysis is a technique by calculating data on the entity's to knowing business results and financial data on a financial statement in the future (Munawir, 2010). A good financial ratio if it can be useful in profit growth. The predicted profit growth rate will look financial performance at future conditions, but it must depend on current and past evidence by financial ratio analysis (Yuliati, 2019).

Bank companies with the type of BPR (Rural Bank) are still experiencing obstacles compared to the previous year. The usual barriers is the support liquidity or third-party funds that are still lacking in offsetting the credit growth plan from general banks (Fathanah Arbar, 2019). From these inhibitions, there are still many BPR (Rural Banks) that experience problems in their profit growth.

Table 1. Profit Growth of PT. BPR Pedungan

Year	Profit and Loss (In thousands of Rupiah)	Profit Growth
2013	3.462.729	
2014	3.192.283	-8%
2015	4.095.878	28%
2016	3.779.308	-8%
2017	5.572.972	47%
2018	2.242.454	-60%
2019	2.768.063	23%
2020	527.184	-81%
2021	468.446	-11%

Source : Data processed, 2022

PT. BPR Pedungan is one of the rural banks that conducts business activities conventionally in Indonesia. Based on data from PT. BPR Pedungan that profit growth is still fluctuating in a certain period. Berdasarkan data PT. BPR

Pedungan bahwa pertumbuhan laba masih mengalami fluktuasi pada periode tertentu. In 2020 and 2021, profit growth decreased successively. Based on this data, it's expected that the company's management will pay attention to profit growth planning so as to avoid a very sharp decline of profit growth. One of the tools for predicting profit growth is analyze financial ratios (Zainudin & Hartono, 1999). Financial ratios are useful in providing an assessment of the company's performance theoretically which is useful in predicting company profits because financial ratios have a future oriented characteristic (Dias, 2020).

Some research that have been carried out by Murjana (2018) indicates that the LDR, operating expenses on operating income (BOPO) and ROA partial and simultaneous significant effect on profit growth. Research conducted by Syafaat (2021) indicates that the CAR, ROA, BOPO, and NIM variable has no partial effect on profit growth. Nasution & Pertiwi (2021) in his research shows the results that the financial ratio that has a positive effect on profit growth is CAR, non performing loan (NPL) and NIM. Meanwhile, the ratio of LDR and BOPO has no effect on profit growth. Mulyana (2018) indicates that financial ratios have a partial effect on profit growth is LDR, CAR and BOPO. However, the ratio of NPL and ROA has no effect on profit growth. Based on the research that has been carried out, there are several research results that are inconsistent in time, place and selection of different financial ratios. This research aims to identify the effect of financial ratios on profit growth at PT. BPR Pedungan, especially in predicting profit growth rates. If financial ratios can be a predictor of future profit growth, then these research are useful knowledge for users of financial statements.

Method

1. Research Location

   The location of this research was conducted at PT. BPR Pedungan. The time of this research was conducted from February to July 2022.

2. Data Collection Methods

   The data collection method used in this research is documentation. The data used is secondary data in the form of quarterly financial statements of PT. BPR Pedungan in 2014-2021.

3. Population and Sample

   The population in this research is the financial statements of PT. BPR Pedungan from 2014 to 2021. The sampling technique is carried out with saturation sampling technique. The sample used is the financial statements for the quarter of 2014 to 2021 as 32 samples.

4. Research Variables

   The dependent variable used in this study is profit growth. Profit growth is the ability to increase a company's net profit compared to the previous year (Munawir, 2010).The formula used is as follows:

$$\text{Profit Growth} = \frac{\text{Net Profit (X)} - \text{Net Profit (X-1)}}{\text{Net Profit (X-1)}} \tag{1}$$

   This research uses four independent variables, it is loan to deposit ratio, return on asset, net interest margin dan primary ratio.

   a. Loan to Deposit Ratio

      The loan to deposit ratio is the ratio for calculating credit to total third party funds (Kasmir, 2008). The LDR ratio can be calculated using the following formula.

$$\text{LDR} = \frac{\text{Credit}}{\text{Total Third Party Funds}} \tag{2}$$

   b. Return On Asset

      The return on asset is a ratio that shows the bank's ability to manage the funds invested in all assets that generate a profit (Kasmir, 2008). This ratio can be calculated by the following formula.

$$\text{ROA} = \frac{\text{Earning Before Interest and Tax}}{\text{Total Assets}} \tag{3}$$

c. Net Interest Margin

The net interest margin ratio is a ratio that is useful in knowing the comparison between net interest and productive assets in the company (Kasmir, 2008). The NIM ratio is calculated by the following formula.

$$NIM = \frac{\text{Total Net Interest Income}}{\text{Productive Assets}} \quad (4)$$

d. Primary Ratio

The primary ratio is a ratio used to measure the capital owned by the bank in covering the decline in bank assets (Kasmir, 2008). This ratio can be calculated by the following formula.

$$PR = \frac{\text{Equity Capital}}{\text{Total Assets}} \quad (5)$$

5. Data Analysis Techniques

The data analysis techniques used in this research are:

a. Descriptive Statistical Test

Descriptive statistical analysis is used to provide a description of a data in fact consisting of minimum, maximum, average, and standard deviation values from the data obtained.

b. Classical Assumptions Test

Classical assumption tests are carried out to find out the existing data conditions, to determine the appropriate analysis model in avoiding possible problems in regression analysis. The tests carried out are data normality tests, multicollienarity tests, heteroskedasticity tests, and autocoleration test.

c. Multiple Linear Regression Analysis

Multiple linear regression analysis performed to determine the direction and magnitude of the influence of the independent variable on the dependent variable. This test was performed with an assistant tool using the IBM SPSS version 26 program with a significance level of 5%. The equation model in this study is as:

$$Y = a + b_1.X_1 + b_2.X_2 + b_3.X_3 + b_4.X_4 + e \quad (6)$$

Y : Pertumbuhan Laba
a : Constant
$b_{1,2,3,4}$: Regression Coefficient
X_1 : Loan to Deposit Ratio
X_2 : Return On Assets
X_3 : Net Interest Margin
X_4 : Primary Ratio
ε : Error

Result and Discussion

Descriptive Statistical Test

Table 2. Descriptive Statistical Test

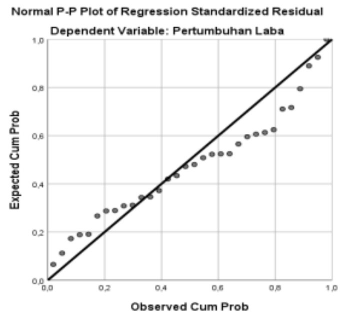
	N	Minimum	Maximum	Mean	Std. Deviation
LDR	32	0,730	0,975	0,847	0,05388
ROA	32	-0,005	0,023	0,009	0,00669
NIM	32	0,012	0,043	0,029	0,00816
PR	32	0,175	0,243	0,205	0,01953
Pertumbuhan Laba	32	-3,054	8,229	0,352	2,19374

Source: Data processed on IBM SPSS 26, 2022

From the results of descriptive statistical tests, it shows that the total samples used in this study are 32 samples. The results of the descriptive analysis showed that LDR had the minimum value of 0,730 and the maximum value of 0,975, ROA had the minimum value of -0,005 and the maximum value of 0,023, NIM had the minimum value of 0,012 and the maximum value of 0,043, PR had the minimum value of 0,175 and the maximum value of 0,243. The lowest Profit Growth value is -3,054 (-305,4%), the highest value is 8,229 (822,9%) and the average is 0,352 (35.2%).

Classical Assumptions Test

1. Data Normality Tests



Source : Data processed on IBM SPSS 26, 2022

Figure 1. Data Normality Tests (Normal P-Plot)

Based on the Normal P-Plot graph shows that the data is spread close to the diagonal line so that it can be concluded that the data is normally distributed. In addition, the normality test used is by using the Kolmogorov-Smirnov test. The following are the results of the Kolmogorov-Smirnov.

Table 3. Data Normality Tests

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		32
Normal Parameters[a,b]	Mean	0,0000000
	Std. Deviation	1,63543620
Most Extreme Differences	Absolute	0,147
	Positive	0,147
	Negative	-0,118
Test Statistic		0,147
Asymp. Sig. (2-tailed)		0,077[c]

Source : Data processed on IBM SPSS 26, 2022

The results of the normality test using the Kolmogorov-Smirnov test showed the value of Asymp. Sig. (2-tailed) is 0,077. So it can be concluded that the data is normally distributed because the value of Sig. 0,077 > 0,05.

2. Multicollinearity Test

Tabel 4. Multicollinearity Test

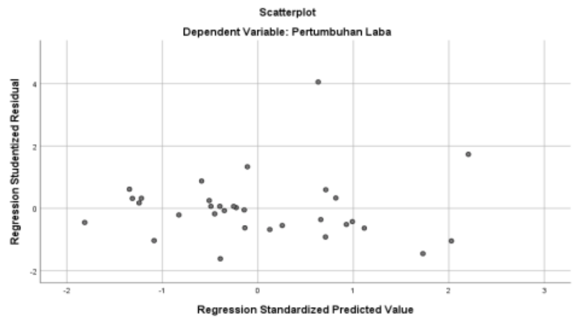
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	16,213	7,613		2,130	0,042		
LDR	-7,932	6,906	-0,195	-1,149	0,261	0,863	1,159
ROA	284,504	98,492	0,867	2,889	0,008	0,275	3,634
NIM	-59,635	87,930	-0,222	-0,678	0,503	0,232	4,308
PR	-48,360	27,160	-0,430	-1,781	0,086	0,425	2,355

Coefficients[a]

Source : Data processed on IBM SPSS 26, 2022

The results of the multicolienarity test showed that there was a relationship between independent variables and there were no symptoms of multicolienarity. This can be proven in Table 4 which shows that the variable has a tolerance value of > 0,10 and a VIF of < 10.

3. Heteroscedasticity Test



Source : Data processed on IBM SPSS 26, 2022

Figure 2. Heteroscedasticity Test

The results of the heteroskedasticity test with the scatterplot test showed that the spread of points was formed randomly and did not form a pattern with the direction of spread being above or below the number 0 of the Y axis. So it can be concluded that the regression model has no symptoms of heteroscedasticity.

4. Autocorrelation Test

Table 5. Autocorrelation Test

Runs Test	
	Unstandardized Residual
Test Value[a]	-0,11504
Cases < Test Value	16
Cases >= Test Value	16
Total Cases	32
Number of Runs	14
Z	-0,898
Asymp. Sig. (2-tailed)	0,369

Source : Data processed on IBM SPSS 26, 2022

Based on Table 5, the results of the autocorrelation test with the runs test show a Sig. value of 0,369. So it can be concluded that in the run test there are no symptoms of autocorrelation because the value of Sig. 0,369 > 0,05.

Multiple Linear Regression Analysis Test

1. Partial Test

Table 6. t-test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	16,213	7,613		2,130	0,042		
LDR	-7,932	6,906	-0,195	-1,149	0,261	0,863	1,159
ROA	284,504	98,492	0,867	2,889	0,008	0,275	3,634
NIM	-59,635	87,930	-0,222	-0,678	0,503	0,232	4,308
PR	-48,360	27,160	-0,430	-1,781	0,086	0,425	2,355

Source : Data processed on IBM SPSS 26, 2022

Based on the results of the multiple linear regression analysis test in Table 6, the multiple linear regression equation is obtained.

$$Y= 16,213+(-7,932)X1 +284,504X2 +(-59,635)X3 +(-48,360)X4 + e$$

The LDR regression coefficient of -7,932 is the amount of the LDR contribution affecting profit growth. In the LDR variable t-test showed a t-count value of -1,149 < a t-table value of 2,052 and a Sig. value of 0,261 > 0,05. So it can be concluded that the LDR has no partial significant effect on profit growth. This happens because the amount of credit distribution is not supported by credit quality (bad debts). A high LDR has no effect on profit growth because it will reduce the bank's ability to increase profits assuming that the credit provided turns out to produce bad debts. The results of this study are in line with research by Nasution & Pertiwi (2021) and Kusumasari & Kusuma (2020) which stated that the loan to deposit ratio has no effect on profit growth.

The ROA regression coefficient of 284,504 is the amount of the ROA contribution affecting profit growth. In the ROA variable t-test showed a t-count value of 2,889 > a t-tabel value of 2,052 and a Sig. value of 0,008 < 0,05. So it can be concluded that ROA has a partial positive significant effect on profit growth. Based on the results of the study, it can be seen that the bank's ability to manage the total assets owned is quite good in making a profit. The more ROA increases, the greater the level of profit achieved by the bank. The results of this study are in line with research by Murjana (2018) which states that return on assets affects profit growth.

The NIM regression coefficient of -59,635 is the amount of the NIM contribution affecting profit growth. In the NIM variable t-test showed a t-count value of -0,678 < a t-table value of 2,052 and a Sig. value of 0,503 > 0,05. So it can be concluded that the NIM has no partial significant effect on profit growth. This happens because the value of the NIM ratio in several periods has experienced a downward trend. In addition, the average value of NIM is still below the minimum standard set by Bank Indonesia. The results of this study are in line with research by Syafaat (2021) which stated that the net interest margin ratio has no effect on profit growth.

The PR regression coefficient of -48,360 is the amount of the PR contribution affecting profit growth. In the PR variable t-test showed a t-count value of -1,781 < a t-table value of 2,052 and a Sig. value of 0,086 > 0,05. So it can be concluded that the PR has no partial significant effect on profit growth. This is due to the declining total assets of the bank, so making it difficult for the bank to generate interest income. The results of this study are in line with research by oleh Hera (2016) dan Nuryana (2022) which stated that the primary ratio has no effect on profit growth.

2. Simultaneous Test

Tabel 7. F-test

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	49,225	4	12,306	3,324	,024b
	Residual	99,963	27	3,702		
	Total	149,188	31			

Source : Data processed on IBM SPSS 26, 2022

Based on Table 7, it shows the results of the F test with a F-count value of 3,324 > a F-table of 2,730 and a value of Sig. 0,024 < 0,05. So it can be concluded that the variables LDR, ROA, NIM and PR have a simultaneous influence on profit growth.

Tabel 8. Coefficient Determination Test

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,574[a]	0,330	0,231	1,92414278

Source : Data processed on IBM SPSS 26, 2022

The results of the coefficient of determination test show that the R value of 0,574 > 0,05 which means that the independent variable with the independent variable has a correlation. The Adjusted R Square value of 0,330 indicates that the percentage influence of LDR, ROA, NIM and PR on profit growth is 33% while the remaining 67% is influenced by other variables.

Conclusion

Based on the results of the research and discussions that have been carried out, the conclusions of this research are as follows:

1. The variables of loan to deposit, net interest margin and primary ratio have no significant effect partially due to profit growth in PT. BPR Pedungan
2. The variable of return on assets has a significantly positive effect partially on profit growth in PT. BPR Pedungan.
3. The variable of loan to deposit ratio, return on assets, net interest margin and primary ratio together (simultaneously) have a significant effect on profit growth in PT. BPR Pedungan.

Acknowledgment

The author would like to thank my very great appreciation to Bali States Polytechnic and the Department of Acounting who have provided facilities, direction and guidance in completing this study research. The author would also like to express appreciation to Thesis Advisor, PT. BPR Pedungan, my family and all of my friends who helped and supported me during the process of preparing this study research.

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