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## **Analysis of Factor that Affect Financial Performance of PD. BPR Bahteramas Konawe**

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### **Abstract**

This study aims to analyze the effect of Capital Adequacy Ratio (CAR), Loan to Deposit Ratio (LDR), Non Performing Loan (NPL), and Operating Costs and Operating Income (BOPO) on financial performance, as measured by Return On Assets (ROA), at PD. BPR Bahteramas Konawe. Using secondary data from the annual report of PD. BPR Bahteramas Konawe during the 2018-2022 period, this study applies multiple linear regression analysis with classical assumption tests and hypothesis testing to evaluate the effect of these variables, both simultaneously and partially, on ROA. The analytical tool used in this research is SPSS version 25. The results showed that CAR, LDR, NPL, and BOPO together had a positive and significant influence on the ROA of PD. BPR Bahteramas Konawe, indicating that increasing these values in accordance with the BPR health standards set by the Financial Services Authority (OJK) contributes to increasing bank profitability. Partially, CAR has a positive but insignificant effect on ROA, while LDR and NPL have a negative but insignificant effect. The significant negative effect of BOPO on ROA indicates that higher operational efficiency contributes to improved bank financial performance. This research provides new insights in banking finance literature regarding the importance of managing capital, liquidity, credit, and operational efficiency in improving bank financial performance, especially for PD. BPR Bahteramas Konawe in the context of OJK regulations.

**Keywords:** Capital Adequacy Ratio (CAR), Loan to Deposit Ratio (LDR), Non Performing Loan (NPL), Operating Costs and Operating Income (BOPO), Return On Asset (ROA), Business Management, Economic Development

### **Introduction**

In the dynamic global economic era, the financial performance of banking institutions serves as a critical indicator in measuring the stability and adaptability of a bank in facing

various economic challenges (Anggraeni et al., 2020). PD. BPR Bahteramas Konawe, as one of the banking entities in Indonesia, faces the challenge of maintaining and enhancing its financial performance amidst intense competition and changing regulations. Factors such as the Capital Adequacy Ratio (CAR), Loan to Deposit Ratio (LDR), Non-Performing Loan (NPL), and Operating Expenses to Operating Income (BOPO) play a significant role in determining the bank's financial performance. Therefore, this study aims to analyze the impact of these factors on the Financial Performance of PD. BPR Bahteramas Konawe over the period of 2018 to 2021.

Previous research has shown that variables such as CAR, LDR, NPL, and BOPO have a significant impact on the financial performance of banking institutions. For example, CAR, which is an indicator of a bank's resilience to the risk of losses, and LDR, which indicates how effectively a bank manages the funds entrusted to it by depositors, are often associated with the financial stability of a bank. Meanwhile, NPL provides an insight into the quality of credit granted by the bank, and BOPO reflects the operational efficiency of the bank in generating income (Amalia et al., 2022). This study aims to further explore how these factors, both individually and simultaneously, affect the Return on Assets (ROA) as one of the measures of financial performance at PD. BPR Bahteramas Konawe.

The use of secondary data from the annual reports of PD. BPR Bahteramas Konawe for the period 2018-2022 forms the basis of analysis in this study. Using multiple linear regression tests and SPSS 25 analysis, this study examines the simultaneous and partial effects of CAR, LDR, NPL, and BOPO on ROA (Daulay & Astuti, 2022). The results of the study are expected to provide new insights regarding the factors that influence the financial performance of the bank, as well as offer recommendations to the management of PD. BPR Bahteramas Konawe to take strategic steps in improving its financial performance.

PD Financial Performance Data. BPR Bahteramas Konawe Period 2018-2021

	Year (%)			
	2018	2019	2020	2021
CAR	86,02	65,55	85,78	60,95
LDR	70,49	49,87	61,37	64,39
NPL	7,68	5,29	5,96	1,60
BOPO	71,56	55,10	68,56	64,96
ROA	3,11	5,24	4,78	5,17

*Source: www.ojk.go.id 2023, processed*

This study is not only relevant to PD. BPR Bahteramas Konawe in its efforts to improve its financial performance but also contributes to the academic literature on bank financial management (Arsita, 2020a). By comparing the findings of this study with previous research, it is hoped to identify existing knowledge gaps and open opportunities for further research in

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the same field. This study also emphasizes the importance of compliance with OJK (Financial Services Authority) regulations as an effort to ensure the financial health of the bank, which will ultimately contribute to the stability of the national financial system.

The dynamics of the banking sector in Indonesia show that a bank's financial performance is a direct reflection of the effectiveness of its resource management. Amid fluctuating economic conditions, banks in Indonesia, including PD. BPR Bahteramas Konawe, are required to be more resilient in facing risks and capitalizing on available opportunities. In line with this, factors such as the Capital Adequacy Ratio (CAR), Loan to Deposit Ratio (LDR), Non-Performing Loan (NPL), and Operating Expenses to Operating Income (BOPO) become key in navigating banks towards optimal financial performance (Lestari, 2021). A deep understanding of the impact of these factors on the bank's financial performance is crucial to explore, to ensure that banks can operate efficiently and effectively in serving the needs of the community.

At the same time, regulations issued by the Financial Services Authority (OJK) continue to evolve, pushing banks to focus not only on asset growth but also on asset quality and prudent risk management. PD. BPR Bahteramas Konawe, as part of the banking system in Indonesia, must be able to adapt to changing regulations and market expectations. In this context, the analysis of factors affecting financial performance is highly relevant, not only to meet existing regulations but also to enhance competitiveness in the banking industry (Arsita, 2020b).

Furthermore, the role of information technology in bank operations can no longer be ignored. The digitalization of banking services opens new opportunities for banks to improve operational efficiency and enhance the quality of service to customers (Al-Hyari, 2023). In the context of PD. BPR Bahteramas Konawe, the integration of information technology into operations can have a positive impact on BOPO, which in turn affects financial performance. Therefore, studying the impact of BOPO on financial performance is very important, considering it can be a significant indicator in measuring the effectiveness of information technology implementation in bank operations..

Furthermore, the dynamic global and national economic conditions, including interest rate fluctuations, exchange rate changes, and economic growth, also influence the financial performance of banks. PD. BPR Bahteramas Konawe, like other banks, must be able to effectively manage its resources and credit portfolio to face economic uncertainties. The analysis of the Loan to Deposit Ratio (LDR) and Non-Performing Loans (NPL) becomes particularly relevant in this context, as both indicators are directly related to bank credit and risk management (Anggriani & Muniarty, 2020). Research analyzing the influence of these two factors on bank financial performance can provide new insights for bank management in formulating more effective and efficient credit strategies.

Finally, this study is expected not only to contribute academically to the literature on finance and banking but also to offer practical benefits to PD. BPR Bahteramas Konawe and other banks in financial performance management strategies. By identifying factors that significantly affect financial performance, banks can design more targeted strategies to

improve profitability and business sustainability in the long term. This research is important in the context of sustainable development of the Indonesian banking sector, with the primary goal of strengthening the financial foundation of banks and enhancing the contribution of the banking sector to the national economy.

Research Problem Statements:

1. Do the Capital Adequacy Ratio (CAR), Loan to Deposit Ratio (LDR), Non-Performing Loan (NPL), and Operating Expenses to Operating Income (BOPO) simultaneously influence the Financial Performance of PD. BPR Bahteramas Konawe?
2. Does the Capital Adequacy Ratio (CAR) influence the Financial Performance of PD. BPR Bahteramas Konawe?
3. Does the Loan to Deposit Ratio (LDR) influence the Financial Performance of PD. BPR Bahteramas Konawe?
4. Does the Non-Performing Loan (NPL) influence the Financial Performance of PD. BPR Bahteramas Konawe?
5. Do the Operating Expenses and Operating Income (BOPO) influence the Financial Performance of PD. BPR Bahteramas Konawe?

The primary objective of this research is to examine and analyze the impact of the Capital Adequacy Ratio (CAR), Loan to Deposit Ratio (LDR), Non-Performing Loan (NPL), and Operating Expenses to Operating Income (BOPO) on the Financial Performance of PD. BPR Bahteramas Konawe, both simultaneously and partially. The expected benefits of this research include providing useful information for the management of PD. BPR Bahteramas Konawe in making strategic decisions related to capital management, credit, risk, and operational efficiency. Additionally, the results of this study can serve as a reference for other researchers who wish to conduct similar studies or develop research in the future, as well as for regulators in formulating policies that support the growth of a healthy and stable banking sector.

The contribution or novelty of this research lies in the comprehensive analysis of the influence of internal bank factors on financial performance, particularly at PD. BPR Bahteramas Konawe, which has not been extensively explored by previous studies. This research provides a new perspective in understanding the dynamics of the impact of CAR, LDR, NPL, and BOPO variables on ROA, which is one of the main measures of a bank's financial performance. Utilizing up-to-date data and robust analysis methods, this study is expected to produce valid and relevant findings, offering new insights that can support decision-making at PD. BPR Bahteramas Konawe and contributing to the academic literature in finance and banking..

## **Literature Review**

In banking sector studies, the Capital Adequacy Ratio (CAR) is often viewed as a key indicator that depicts a bank's ability to absorb potential losses. According to Bank Indonesia, CAR is the ratio of a bank's capital to its risk-weighted assets, designed to ensure that banks have sufficient capital to absorb losses. Research conducted by Wimboh Santoso et al. (2018)

indicates that CAR has a positive influence on a bank's financial performance, suggesting that a higher CAR strengthens the financial foundation of the bank. The Loan to Deposit Ratio (LDR) is a ratio that shows the comparison between the total loans given by a bank and the total third-party funds collected. This ratio reflects the bank's liquidity and its ability to manage available funds for lending. A study published by Afriyanto et al. (2021) concluded that an optimal LDR can enhance a bank's financial performance as it demonstrates the bank's efficiency in allocating deposit funds for productive lending.

The Non-Performing Loan (NPL) is an indicator of a bank's credit quality. NPL measures the percentage of loans that are in default or have been in arrears for more than 90 days. According to research by Rizal Yaya and colleagues (2020), a high NPL can decrease a bank's financial performance because it indicates problems in credit management. This may also signify less effective risk management in credit selection and supervision (Anggriani & Muniarty, 2020). Operating Expenses to Operating Income (BOPO) is a ratio that depicts a bank's operational efficiency by comparing total operating expenses with total operating income. This ratio reflects how efficiently a bank manages its operations to generate income. A study (Lestari, 2021) states that a lower BOPO indicates a higher level of efficiency, contributing positively to the improvement of a bank's financial performance.

Return on Assets (ROA) is often used as a measure of a bank's financial performance, indicating how effectively a bank generates profit from its total assets. Afriyanto et al. (2021) showed that ROA could be influenced by various internal bank factors, including CAR, LDR, NPL, and BOPO. This research emphasizes the importance of effective management and strategy in enhancing a bank's financial performance. The Financial Services Authority (OJK) regulations continuously adapt to respond to the banking sector's dynamics by setting minimum CAR standards, regulating the maximum LDR, and establishing NPL reduction targets. These policies aim to ensure financial system stability and promote sustainable economic growth. Research by Arsita (2020a) indicates that compliance with OJK regulations positively contributes to a bank's financial performance by increasing public and investor trust.

Information technology has played a crucial role in the operational transformation of banks. The digitalization of banking services not only improves accessibility and convenience for customers but also operational efficiency for banks. A study by Daulay & Astuti (2022) found that the adoption of information technology by banks contributes to a decrease in BOPO and an increase in ROA, indicating a positive impact on a bank's financial performance. Therefore, this research aims to fill the gap in the literature by exploring the simultaneous and partial influence of CAR, LDR, NPL, and BOPO on the financial performance of PD. BPR Bahteramas Konawe. Through a comprehensive analytical approach, this study is expected to provide new insights for the management of PD. BPR Bahteramas Konawe and other stakeholders in financial management strategies to achieve optimal performance (F. P. Azhari, 2022).

Credit risk management is a critical aspect of banking operations, given that credit risk can significantly affect financial performance. In the context of PD. BPR Bahteramas Konawe, managing NPLs through effective risk mitigation strategies becomes key in maintaining asset quality and ensuring business continuity. Research by (Anggriani & Muniarty, 2020)

underscores the importance of a comprehensive credit assessment system and continuous credit monitoring as efforts to minimize the occurrence of NPLs. Thus, the implementation of good credit risk management not only helps reduce NPLs but also supports an increase in ROA, reflecting healthier bank financial performance.

Furthermore, macroeconomic dynamics such as interest rate fluctuations, inflation, and economic growth also directly affect the financial performance of banks. Analysis of the impact of macroeconomic factors on the financial performance of PD. BPR Bahteramas Konawe becomes relevant, considering that macroeconomic conditions can affect credit demand, asset quality, and funding stability. Recent studies by (Agnese & Giacomini, 2023) show that banks must be responsive to macroeconomic changes by adapting asset and liability management strategies to maintain a balance between liquidity and profitability. Thus, a deep understanding of the impact of macroeconomic factors on financial performance is crucial in strategic planning and decision-making at PD. BPR Bahteramas Konawe.

## **Methodology**

This study employs a quantitative approach to analyze the impact of the Capital Adequacy Ratio (CAR), Loan to Deposit Ratio (LDR), Operating Expenses to Operating Income (BOPO), and Non-Performing Loan (NPL) on financial performance measured through Return On Asset (ROA) at PD. BPR Bahteramas Konawe (Ansori, 2020). The quantitative approach was selected given the study's aim to statistically measure the extent of the independent variables' influence on the dependent variable. This research relies on secondary data, which is data that is already available and obtained from the annual reports of PD. BPR Bahteramas Konawe for the period 2018-2022. The use of secondary data allows researchers to analyze the financial performance trends of the bank over a relatively long period and obtain an accurate depiction of the impact of the studied factors.

The data sources in this study come from the annual reports of PD. BPR Bahteramas Konawe, which are official documents published by the bank. These documents were chosen because they are considered to provide comprehensive and reliable information about the bank's financial condition, and are deemed valid data sources for research analysis (Agung & Yuesti, 2019). The financial data analyzed include the values of CAR, LDR, BOPO, NPL, and ROA, which are crucial indicators in assessing the bank's financial performance. The location of this research was chosen based on specific considerations of PD. BPR Bahteramas Konawe, which has unique characteristics as a rural banking institution in the Konawe region, and to understand the extent to which the bank has successfully managed the financial aspects that are the focus of the study. The data analysis technique used in this study includes several stages. First, descriptive statistical analysis is conducted to provide a general overview of the research variables. Next, classical assumption tests are performed, including tests for normality, multicollinearity, autocorrelation, and heteroskedasticity, to ensure the research data meets the prerequisites for multiple linear regression analysis. Subsequently, multiple linear regression analysis is utilized to test the simultaneous and partial effects of the independent variables on the dependent variable. F and t statistical tests are used to determine the significance of these

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effects. The use of SPSS Software in this data analysis aims to accurately and efficiently predict the relationship between independent variables and the dependent variable. This approach is expected to provide objective and reliable results to answer the research problem statements (M. Azhari et al., 2023)..

**Results and Discussion:**

The results of the correlation coefficient (R) and determination coefficient (R<sup>2</sup>) analysis are presented in Table 1 below:

Table 1. Correlation Coefficient (R) and Determination Coefficient (R<sup>2</sup>) Values

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,831 <sup>a</sup>	,690	,608	,93578
a. Predictors: (Constant), BOPO, LDR, NPL, CAR				
b. Dependent Variable: ROA				

*Source: SPSS 25 Processed Data*

Based on the previous table 1 above, the correlation coefficient value of 0.831 has been found. This value is included in the very strong category. So it can be concluded that there is a very strong relationship between the variables CAR, LDR, BOPO and NPL on ROA.

The results of the F statistical test basically show whether all the independent variables included in the model have a joint influence on the dependent variable. The results of this F test calculation can be seen in Table 2. below:

Table 2. Uji F

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29,279	4	7,320	8,359	,001 <sup>b</sup>
	Residual	13,135	15	,876		
	Total	42,414	19			
a. Dependent Variable: ROA						
b. Predictors: (Constant), BOPO, LDR, NPL, CAR						

*Source: SPSS 25 Processed Data*

Partial test results (t test)

This test is conducted to test whether each independent variable has a significant effect on the dependent variable. T-test. Display of SPSS Uji-t output can be seen in Table 3

Tabel 3 Uji t

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	14,789	3,049		4,851	,000
	CAR	,001	,021	,015	,064	,950
	LDR	,009	,027	,063	,343	,736
	NPL	-,116	,088	-,292	-1,314	,209
	BOPO	-,131	,036	-,643	-3,656	,002

a. Dependent Variable: ROA

*Source: SPSS 25 Processed Data*

**Influence of CAR, LDR, NPL, and BOPO on ROA**

Based on the analysis results, the hypothesis regarding the influence of CAR, LDR, NPL, and BOPO on ROA is accepted. This means that the better the values of CAR, LDR, NPL, and BOPO align with the BPR Health standards set by Bank Indonesia regulations, the more it affects the bank's profitability. The influence of CAR, LDR, NPL, and BOPO on ROA can be explained by the financial performance (ROA) of PD. BPR Bahteramas Konawe being affected by CAR, LDR, NPL, and BOPO. Where CAR is a ratio to measure the adequacy of capital that serves to absorb the risk of losses that the bank may face. As seen in Table 5.1 above, the average CAR of PD. BPR Bahteramas Konawe is 85.43%, meaning PD. BPR Bahteramas Konawe can absorb the risk of losses with its capital amounting to 85.43%. According to the OJK regulation No.11/SEOJK.03/2022, PD. BPR Bahteramas Konawe falls into category 1 because it has a capital adequacy ratio above 15%.

The Loan to Deposit Ratio (LDR) is the ratio between the total amount of credit provided by the bank and the funds received by the bank. Based on Table 5.2 above, the average LDR during the observation years of this study is 74.99%, which according to OJK regulation No.11/SEOJK.03/2022, indicates that LDR of PD. BPR Bahteramas Konawe falls into category 1 or healthy because it is below 94.75%. NPL is defined as troubled credit, interpreted as loans that have repayment difficulties due to deliberate factors or external factors beyond the borrower's control. When NPL is high, banks face financial difficulties, thus reducing funds available for lending. Conversely, a low NPL indicates that the bank's customers have a good ability to pay off debts, thereby allowing the bank to have funds available for lending to other customers (Anggriani & Muniarty, 2020). Based on the average NPL of PD. BPR Bahteramas

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Konawe during the observation years of the study, it stands at 6.45%. This means that PD. BPR Bahteramas Konawe falls into category 1 because it is below 7%.

BOPO represents the comparison between operational expenses and operational income. The higher the BOPO, the less efficient PD. BPR Bahteramas Konawe is considered in conducting its business activities. Based on Table 5.3 above, it can be seen that the average BOPO during the observation years of the study is 68.99%. This means that PD. BPR Bahteramas Konawe falls into category 1 because it has a BOPO below 85%. Return On Assets (ROA) is generally a type of profitability ratio, which is usually used to assess a company's ability to earn profits through its assets. Based on Table 5.5 above, it is observed that the ROA ratio of PD. BPR Bahteramas Konawe during the observation years is 5.69%. According to the OJK regulation No.11 of 2022, PD. BPR Bahteramas Konawe is in category 1 because it has an average ROA above 2%.

This indicates that PD. BPR Bahteramas Konawe must be able to improve its financial performance using CAR, LDR, NPL, and BOPO, as these ratios overall fall into category 1 or healthy. This is supported by previous research conducted by Dede Hartanto Patarowo, Risal Rinofah, Pristin Prima Sari (2022), and Afriyeni and Jhon Fernos (2018), which states that CAR, LDR, NPL, and BOPO simultaneously influence Return On Assets (ROA).

### **Influence of CAR on ROA**

The influence of CAR on ROA can be observed from its regression coefficient, which is 0.001. The positive value indicates a positive relationship between CAR and ROA. This implies that an increase of 1 unit in CAR will result in a 0.001 unit increase in ROA. However, the influence of CAR can be seen in the significance value of 0.950, which is greater than the probability value  $\alpha = 0.05$ , indicating that CAR has a positive but not significant effect on ROA on a partial basis. The research findings suggest that a higher CAR does not necessarily result in a high ROA for the bank. This means CAR does not significantly influence ROA because CAR measures the capital adequacy of BPRs (Rural Banks) to cover losses experienced. CAR is utilized to cover potential losses incurred by BPRs using their capital, while ROA compares BPR assets to the profits earned. The descriptive analysis results show that during the research period from 2018-2022, the average CAR ratio at BPR Bahteramas was 85.43%, indicating that, in general, PD. BPR Bahteramas Konawe can provide an average minimum capital of 85.43% against risk-weighted assets (ATMR). The higher the CAR, the better the bank's ability to bear the risk from each risky credit/productive asset. If the CAR value is high, the bank is capable of financing operational activities.

This is also in line with regulations that determine the health level of a bank, where  $CAR > 8\%$  is categorized as healthy. Hence, the higher the CAR of a bank, the better it is in maintaining liquidity and the capital owned can be used to finance productive assets in increasing profitability. According to Kasmir (2016:46), CAR is the ratio between capital ratio to Risk Weighted Assets and is in accordance with government regulations. Based on definitions from experts, it can be concluded that CAR is a bank performance ratio to measure the adequacy of capital owned by the bank to support assets containing or generating risk, such as credits given to customers. Furthermore, CAR represents the minimum capital that

sufficiently guarantees the interests of third parties. CAR is a ratio that calculates the amount of capital owned by the bank against ATMR/Risk Weighted Assets (Taswan, 2015:166) Adequate capital plays a crucial role in providing security to prospective or current depositors. Latumerissa (1999) stated that an adequate level or amount of bank capital (capital adequacy) is required to enhance resilience and efficiency. With high capitalization, banks can freely allocate their funds into profitable investments, which can increase customer trust due to the high likelihood of the bank earning profits.

The results of this study are in line with the research conducted by Daulay & Astuti (2022), Dede Hartanto Patarowo, Risal Rinofah, Pristin Prima Sari (2022), Mutawali and Vidya Amalia Rismanty (2022), Hamdani, Nining Wahyuni, Ali Amin, and Sulfitra (2018), Elvira Azwan and Amir Hasan (2016), and Nilawati, Ibnu Hajar, and Wahyuniati Hamid (2019), which found that the Capital Adequacy Ratio (CAR) does not affect the financial performance Return On Asset (ROA). However, the findings of this study are not consistent with the research conducted by Mohammad Sofyan (2019) and Afriyeni and Jhon Fernos (2018), which found that the CAR ratio has a positive and significant effect on company profitability (ROA)..

### **Influence of LDR on ROA**

The influence of LDR on ROA can be observed from its regression coefficient, which is 0.009. The positive value indicates a positive relationship between LDR and ROA. This implies that an increase of 1 unit in LDR will result in an increase in ROA by 0.009 units. However, the influence of LDR can be seen in the significance value of 0.736, far greater than the probability value  $\alpha = 0.05$ , indicating that LDR has a positive but not significant effect on ROA on a partial basis. Descriptive analysis results show that during the research period from 2018-2022, the average LDR ratio at PD. BPR Bahteramas Konawe was 74.99%, meaning that, on average, PD. BPR Bahteramas Konawe has 74.99% of credits that can be used to pay depositors if they withdraw their funds from PD. BPR Bahteramas Konawe at any time. According to Bank Indonesia Regulation No. 15/15/PBI/2013, an average LDR ratio of 74.99% falls into the very adequate category. The lowest average LDR percentage occurred in 2019 at 68.67%, and the highest in 2018 at 77.21%. Therefore, it can be concluded that a higher LDR ratio indicates a lower liquidity capacity of the concerned bank due to the increasing amount of funds needed to finance credits. The positive relationship between the credit distribution rate and the Return On Asset ratio at PD. BPR Bahteramas Konawe proves that credit distribution by PD. BPR Bahteramas Konawe can increase the profitability of PD. BPR Bahteramas Konawe.

The research findings suggest that a higher LDR results in a greater but not significant ROA for the bank. This indicates that credit expansion can promote an increase in bank profitability. This situation is quite common in banks that adhere to the doctrine of anticipated income, where there is a risk in credit distribution often experiencing low quality and unpredictability (Lestari, 2021). Thus, credit distribution by the bank is highly susceptible to defaults by debtors. Specifically, for the examined BPR, the Second Party Funds and Third Party Funds collected are obtained at a relatively low interest or cost. According to the theory proposed by Maryadi and Basuki (2014), a low level of credit distribution accompanied by low

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credit quality and high operational fund costs will indeed impact the bank's financial performance.

According to Bank Indonesia Regulation No. 15/15/PBI/2013, the definition of Loan To Deposit Ratio (LDR) is a ratio that measures the composition of the amount of credit provided compared to the amount of public funds and own capital used. The Loan to Deposit Ratio (LDR) is a ratio that assesses a bank's ability to meet financial obligations that must be fulfilled. This ratio is one of the ratios used to determine the bank's liquidity level and also serves as a measure of the banking intermediation function. The loan to deposit ratio helps investors observe the condition of a bank regarding operational feasibility, financial condition, and the level of fund acceptance. In some cases, banks will borrow funds to increase their interest rates. However, if these funds are used to finance credit management activities, then the bank will have the burden of paying interest on the debt. On the other hand, LDR will display the bank's quality in terms of maintaining and serving its customers. If fund deposits increase, then the number of customers will also increase. Conversely, the bank will lend its funds in large amounts to customers to minimize borrowing.

Banks that provide loans to their customers will generate a small profit margin. However, a balanced LDR is the best way forward. If too many deposits are loaned out, then an economic downturn can very likely occur. However, if too few deposits are loaned, then assets will tend to not increase and remain stable. Several factors that greatly affect the loan to deposit ratio include economic factors. If an economic crisis occurs, then every customer will compete to apply for credit loans at banks to meet their needs during unemployment. Meanwhile, bank assets will decrease along with the decline in public income.

Another factor affecting LDR is the interest rate applied by the central bank. If the central bank sets a low-interest rate, then loan funds will increase along with the existing economic level in the area. The results of this study are in line with the research conducted by Mutawali and Vidya Amalia Rismanty (2022), I Kadek Sardika Putra and Henny Triyana Hasibuan (2021), Hamdani, Nining Wahyuni, Ali Amin, and Sulfitra (2018), Elvira Azwan and Amir Hasan (2016), Nilawati, Ibnu Hajar, and Wahyuniati Hamid (2019) which found that LDR does not have a significant effect on profitability (ROA). However, this study's findings are not consistent with the research conducted by Mohammad Sofyan (2019), Afriyeni, and Jhon Fernos (2018) which found that LDR significantly affects profitability (ROA).

### **Influence of NPL on ROA**

The influence of NPL on ROA can be observed from its regression coefficient, which is -0.116. The negative value indicates a negative relationship between NPL and ROA. This implies that an increase of 1 unit in NPL will result in a decrease in ROA by -0.116 units. However, the influence of NPL can be seen in the significance value of 0.209, far greater than the probability value  $\alpha = 0.05$ , indicating that NPL has a negative but not significant effect on ROA on a partial basis. The research findings show that a higher NPL value for PD. BPR Bahteramas Konawe results in a decrease in ROA for PD. BPR Bahteramas Konawe, although not significantly. This situation can occur because most of the funds disbursed still rely on own capital provided by shareholders through capital participation.

The relationship between ROA and the size of a bank's NPL suggests that the bank has a high risk of credit default from its credit disbursements, expecting that large credit disbursements can generate significant profits for the company, thereby increasing the company's ROA. According to records from Bank Indonesia and the Financial Services Authority, non-performing loans are caused by, among other things, a decline in credit quality due to the debtor's character, a decrease in financial conditions, and other payment problems. Descriptive analysis results show that during the research period from 2018-2022, the average NPL ratio at PD. BPR Bahteramas was 6.45%, meaning that, on average, non-performing loans at PD. BPR Bahteramas Konawe were 6.45% of the total credit provided to PD. BPR Bahteramas Konawe's debtors. The lowest average NPL percentage occurred in 2022 at 1.36% and the highest in 2020 at 10.53%. It can be concluded that a higher Non-Performing Loan ratio results in a lower bank liquidity level towards third-party funds (DPK) because most of the funds disbursed by the bank in the form of credit are third-party fund deposits (DPK).

According to the Circular Letter of the Financial Services Authority Number 11/SEOJK.03/2022 on the Assessment of the Health Level of Rural Credit Banks And Sharia Rural Financing Banks, the ratio of non-performing loans that fall into category 1 is below 7%. The higher the NPL value of a financial institution, the lower the profit it will eventually receive. Considering the above NPL data, it can be concluded that NPL of PD. BPR Bahteramas Konawe is below the limit set by OJK regulations. The increase in ROA accompanied by a high NPL is due to the Provision for the Elimination of Productive Assets (PPAP) still being able to cover problematic loans (Lestari, 2021). Banking profits can still increase with high NPLs because sources of profit other than interest, such as fee-based income and other operational revenues, exist. Moreover, NPL occurrences may not solely be due to the debtor's inability to pay but also due to the strict regulations of Bank Indonesia and the Financial Services Authority regarding credit classification, causing debtors who were previously in the current category to downgrade to less current, doubtful, or even default.

NPL represents troubled loans, defined as loans that have repayment difficulties due to intentional factors or external factors beyond the debtor's control. When NPL is high, banks face financial difficulties, thus reducing the funds available for lending. Conversely, a low NPL indicates that the bank's customers have a good ability to pay off debts, allowing the bank to have funds available for lending to other customers (Damanik, 2017). Asyarofah et al. (2023) state that a high level of troubled loans can cause banks not to have enough funds for investment. This is compounded by the bank's obligation to pay interest to depositors, which can cause the bank to suffer permanent losses.

These findings support the research conducted by I Kadek Sardika Putra and Henny Triyana Hasibuan (2021), Mohammad Sofyan (2019), which found that NPL has a negative and not significant influence on the performance of BPRs (Rural Banks). However, this study's findings are not consistent with the research conducted by Dede Hartanto Patarowo, Risal Rinofah, Pristin Prima Sari (2022), Mutawali and Vidya Amalia Rismanty (2022), Afriyeni and Jhon Fernos (2018), Elvira Azwan and Amir Hasan (2016), Nilawati, Ibnu Hajar, and Wahyuniati Hamid (2019).

### **Influence of BOPO on ROA**

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The influence of BOPO on ROA can be observed from its regression coefficient, which is -0.131. The negative value indicates a negative relationship between BOPO and ROA. This implies that an increase of 1 unit in BOPO will result in a decrease in ROA by 0.131 units. However, the influence of BOPO can be seen in the significance value of 0.002, smaller than the probability value  $\alpha = 0.05$ , indicating that BOPO has a negative and significant effect on ROA on a partial basis. During the research period from 2018-2022, the average BOPO ratio at PD. BPR Bahteramas was 68.99%, meaning that, on average, PD. BPR Bahteramas Konawe has the capability to control its operational costs at 68.99% relative to its operational income. The lowest average BOPO percentage occurred in 2022 at 63.77%, and the highest in 2018 at 75.56%. It can be concluded that a lower BOPO ratio indicates lower operational expenses for PD. BPR Bahteramas Konawe.

According to the Circular Letter of the Financial Services Authority Number 11/SEOJK.03/2022 on the Assessment of the Health Level of Rural Credit Banks And Sharia Rural Financing Banks, the ideal or good BOPO value according to OJK regulations is below 85%. With an average BOPO value of PD. BPR Bahteramas Konawe at 68.99%, it can be stated that BOPO of PD. BPR Bahteramas Konawe is good. The operational cost and operational income ratio are used to measure the efficiency level and the bank's ability to perform its operational activities. Considering the primary activity of banks is fundamentally to act as intermediaries, i.e., gathering and disbursing funds (such as public funds), bank operational costs and income are dominated by interest expenses and interest income. Theoretically, interest expenses are determined based on the weighted average cost calculation of cost of loanable funds (COLF), while most interest income is derived from interest income from credit services to the public, such as loan interest, credit provision, appraisal fee, supervision fee, commitment fee, syndication fee, etc. (Dendawijaya, 2009:119-120).

Efficiency in the intermediation of funds from savers to borrowers allows for the allocation of resources to their most productive uses (R.M Odunga, 2013). According to OJK regulations, operational efficiency is measured by BOPO (Operational Cost to Operational Income) with a maximum limit of 90%. Operational efficiency also affects bank performance; BOPO indicates whether the bank has used all its production factors appropriately. When in line with standards, the bank can smoothly disburse credit because its financial performance is also smooth. BOPO shows efficiency in running its core business, especially credit, based on the amount of funds successfully gathered. Gathering funds, especially from the public, requires interest expenses.

Principally, the main activity of a bank is to gather and disburse public funds; thus, the Operational Cost and Operational Income (BOPO) are dominated by interest expenses and interest income. Any increase in operational costs will result in a decrease in pre-tax profits, ultimately reducing the profit or profitability of the concerned bank (Dewi et al., 2015). Another potential issue is the presence of unbalanced competition causing management inefficiency, affecting revenue, and the emergence of troubled loans, which will decrease bank profits. Troubled loans will affect capital, causing banks to face liquidity problems. The findings of this research align with the studies conducted by Dede Hartanto Patarowo, Risal Rinofah, Pristin Prima Sari (2022), Mutawali and Vidya Amalia Rismanty (2022), Mohammad

Sofyan (2019), Afriyeni and Jhon Fernos (2018), Hamdani, Nining Wahyuni, Ali Amin, and Sulfitra (2018), Nilawati, Ibnu Hajar, and Wahyuniati Hamid (2019), which show that BOPO has a significant effect on ROA. However, findings that do not align with this research include studies by I Kadek Sardika Putra and Henny Triyana Hasibuan (2021), Elvira Azwan and Amir Hasan (2016), which found that BOPO has a negative and not significant effect on profitability (ROA).

## **Conclusion**

Based on the analysis and discussion conducted, this study has drawn several important conclusions regarding the influence of the Capital Adequacy Ratio (CAR), Loan to Deposit Ratio (LDR), Non-Performing Loan (NPL), and Operating Expenses to Operating Income (BOPO) on Return On Asset (ROA) at PD. BPR Bahteramas Konawe. It was found that, simultaneously, CAR, LDR, NPL, and BOPO have a positive and significant impact on ROA. This finding indicates that when the values of CAR, LDR, NPL, and BOPO are at optimal levels in accordance with the BPR health standards set by OJK regulations, the profitability of PD. BPR Bahteramas Konawe can increase. However, on a partial basis, CAR shows a positive but not significant effect on ROA, indicating that an increase in CAR does not necessarily directly enhance bank profitability.

On the other hand, LDR and NPL have a negative but not significant effect on ROA, suggesting that credit distribution expansion, indicated by an increase in LDR, does not directly contribute to an increase in bank profitability. Additionally, a high NPL level does not significantly reduce ROA, indicating that effective credit risk management still needs to be strengthened. Meanwhile, BOPO has a negative and significant effect on ROA, affirming the importance of operational efficiency in enhancing bank profitability. A low BOPO ratio, indicating a high level of operational efficiency, directly contributes to the improvement of ROA at PD. BPR Bahteramas Konawe. These conclusions offer valuable insights for the management of PD. BPR Bahteramas Konawe in formulating strategies to improve financial performance, particularly through enhanced operational efficiency and better credit risk management.

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