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The Sustainability of Bank Majalengka In 2018-2023: Analysis The Influence Of Net Interest Margin (NIM) And Loan to Deposit Ratio (LDR) On The Rate Of Return On Asset (ROA)

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ABSTRAK/*ABSTRACT*

Banks are financial institutions that are required to produce profitability in order to carry out their functions and roles. Profitability assessment uses Return on Assets (ROA). The higher the ROA of a bank, the greater the bank's ability to generate profits. Currently Net Interest Margin (NIM) still gets the main attention of banks in Indonesia considering that NIM is directly related to the bank's ability to manage productive assets which are still dominant in the credit business. LDR is a ratio to measure the composition of the amount of credit given compared to the amount of public funds and own capital used. The increase in this ratio shows the bank's effectiveness in channeling funds that have been collected in the form of credit so that the bank has the opportunity to achieve higher interest income to increase profitability. The purpose of this research is to find out and analyze how much influence NIM and LDR have on ROA at Bank Majalengka. The data used in this research is secondary data in the form of the annual financial report of Bank Majalengka for the period 2018-2023. Data analysis techniques in this research include hypothesis testing consisting of multiple regression coefficient tests, correlation coefficient tests, R2 model tests (coefficient of determination), t test (partial test) and F test (simultaneous). Based on the research results, it shows that NIM and LDR jointly influence the ROA of Bank Majalengka. The greater the ROA ratio value, the better the level of banking business. Keywords: NIM, LDR and ROA.

INTRODUCTION

Banks are institutions that can act as intermediaries between parties who have excess funds and parties who lack funds. Banking companies function as institutions that the public can trust, and all bank business activities will always depend on public trust. People will have confidence that their money is safe from misuse by banks and will be managed well, people will believe that banks will not go bankrupt.

Profitability is a specific measure of bank performance and is a goal that company management wants to achieve by maximizing shareholder value, optimizing various levels of return, and minimizing existing risks. The level of profitability is important for banks because it can be used to measure the level of effectiveness of a company in generating profit levels by trying to increase the value

of its total assets. Profitability can be used as a benchmark to measure the success of a banking company. The performance of a company can be measured by how much profit the company can obtain. With high performance, the level of profits obtained by the company can increase.

Return on Assets is a ratio used to measure profitability because Bank Indonesia as a banking supervisor and supervisor prioritizes the value of a bank's profitability as measured by assets whose funds are mostly from public savings. The greater the Return On Assets of a bank, the greater the level of profit achieved by the bank, and the better the bank's position in terms of asset use. According to Pandia, (2012) stated that the benchmark for bank health will be clearly visible from the performance of a bank, especially looking at the existing profitability ratios. Many factors can influence bank profitability, including size (SIZE), Capital Adequacy Ratio (CAR) , Non Performing Loans (NPL), Net Interest Margin (NIM), and Loan to Deposit Ratio (LDR).

The first factor is Net Interest Margin. This main activity cannot be separated from earning interest income which is known as Net Interest Margin (NIM). Net Interest Margin (NIM) is a ratio that shows the ability of a bank's management to manage the company's productive assets to obtain net interest income or NIM is a picture of developing market risk, seen from interest rates. Net Interest Margin (NIM) shows the bank's ability to generate income from interest by looking at the bank's performance in disbursing credit, considering that the bank's operational income is very dependent on the interest difference (spread) on the credit disbursed. Income is obtained from interest received from loans provided minus interest costs from sources of funds collected.

Thus, the size of the Net Interest Margin (NIM) will affect the bank's profit and loss which ultimately affects the bank's performance. Every increase in Net Interest Margin (NIM) will result in an increase in Return on Assets (ROA), because every increase in net interest income, which is the difference between total interest costs and total interest income, results in an increase in profit before tax, which ultimately results in an increase in Return on Assets (ROA). In research conducted by (Ali, 2017) Net Interest Margin partially has a positive and significant effect on Return on Assets, and likewise in research conducted by (Kurniasih, 2016) that Net Interest Margin has a partial and positive effect on Return On Assets. Meanwhile, according to research results from (Harun, 2016), Net Interest Margin has no effect on Return On Assets.

Then the next assessment of bank work performance is the Loan to Deposit Ratio (LDR), which shows how liquid a bank is. The higher the LDR level, the more illiquid a bank is. In an illiquid situation, banks will find it difficult to fulfill their short-term obligations, such as sudden withdrawals by customers of their savings. Conversely, the lower the LDR level, the more liquid a bank is. The increasingly liquid condition of banks indicates that there are many idle funds which can reduce the bank's opportunity to obtain greater revenues. The LDR level of a bank must be maintained so that it does not become too low or too high. According to Bank Indonesia Circular Letter No. 26/5/BPPP dated 29 May 1993. Bank Indonesia as the monetary authority set the LDR limit at 85%-100%. However, starting December 24 2013, BI will apply Bank Indonesia Regulation no. 15/15/PBI/2013 concerning Minimum Statutory Reserves for Commercial Banks and Foreign Currency which contains standard LDR provisions at the level of 78%-92%. On the one hand, a higher LDR at a bank will provide a greater risk of failure in the credit that has been distributed to the public in the future. However, a higher LDR will reduce the level of profitability which can result in a decrease in the Return On Assets (ROA) ratio.

The loan-to-deposit ratio (LDR) compares the size of a bank's loan book to its deposits to analyze bank funding strategies. Funding can come from customer deposits or the wholesale market (in the form of current accounts, savings accounts, time deposits, time deposit

certificates, and other direct obligations in the form of credit). Lending is the main activity of banks, apart from collecting funds from customers, because it is the main source of bank income. Banks generally make money by borrowing depositors' money and compensating them with a certain interest rate. Banks will lend money to borrowers, charge borrowers a higher interest rate, and profit from the difference in interest rates. Loan to Deposit Ratio (LDR) is a ratio to measure the composition of the amount of credit given compared to the amount of public funds and own capital used. In research conducted by (Kurniasih, 2016), it shows that the Loan To Deposit Ratio has a partial and positive effect on Return On Assets (ROA). Meanwhile, according to research results by (Aprilia & Handayani, 2018), Loan To Deposit Ratio (LDR) does not have a significant effect on Return On Assets (ROA). The difference in the results of this research is what makes the author want to examine more deeply the influence of Loan To Deposit Ratio (LDR) on Return On Assets (ROA).

Based on the results of previous research, it was found that there were inconsistencies regarding the influence of the variables used on profitability, so that further research was needed to determine the variables that influence profitability. Furthermore, research can be formulated entitled " The Sustainability of Bank Majalengka In 2018-2023 : Analysis of the Effect of Net Interest Margin (NIM) and Loan To Deposit Ratio (LDR) on Profitability (ROA)

LITERATURE REVIEW

The definition of Net Interest Margin (NIM) according to Bank Indonesia Circular Letter No 6/23/DPNP dated 31 May 2004 is that Net Interest Margin (NIM) is the ratio of net interest income to average productive assets. According to Hasibuan (2006), Net Interest Margin (NIM) is the ratio between net interest income to average productive assets. Net Interest Margin (NIM) reflects market risk that arises due to changes in market conditions which can be detrimental to the bank.

According to Kasmir (2007:268), the liquidity ratio is a ratio to measure a bank's ability to fulfill its short-term obligations when billed, in other words, to be able to pay back depositors' disbursement of funds when billed and to meet the credit requests submitted. One of the meanings of Loan to Deposit Ratio (LDR) according to Kasmir (2007:272) is "Loan to Deposit Ratio is a ratio to measure the composition of the amount of credit given compared to the amount of public funds and own capital used". According to Frianto Pandia (2012:128) Loan to Deposit Ratio (LDR) is "a ratio that states how far the bank has used depositors' money (deposits) to provide loans to its customers". In other words, the amount of money used to provide loans is money that comes from deposits from depositors. Loan to Deposit Ratio (LDR) can be used as a benchmark for banking performance as an intermediation institution, namely an institution that connects parties who have excess funds with parties who need funds.

The definition of Return on Assets (ROA) according to Bank Indonesia Circular Letter No. 6/23/DPNP dated 31 May 2004 is that ROA is a ratio that assesses the level of return on the assets owned. According to Henry Simamora (2000:530), Return on Assets (ROA) can be used to evaluate whether management has received adequate returns (reasonable returns) from the assets it controls. This ratio can evaluate how well the company has used its funds. So Return on Assets (ROA) is often used by top management to evaluate business units in a multinational company.

RESEARCH METHODS

Research methods. The research method used in preparing this thesis is an associative method, because this research is to determine the relationship between two or more variables. This research uses quantitative data, namely using the Majalengka bank's annual financial report. 2. Population & Sample. Population is a generalized area consisting of objects or

subjects that have certain qualities and characteristics that are determined by researchers to study and draw conclusions (Sugiyono, 2022: 55). The population used in this research is the annual financial report of Bank Majalengka. The sample taken by the author in this research was the annual financial report from 2018-2023 (Time Series Data) or for 6 periods (Cross Section Data) at Majalengka bank. 3. Data Collection Techniques. The data used in this research is secondary data in the form of the annual financial report of Bank Majalengka. period 2018-2023. 4. Data Analysis Techniques. Data analysis techniques in this research include hypothesis testing consisting of multiple regression coefficient test, correlation coefficient test, R2 model test (coefficient of determination), t test (partial test) and F test (simultaneous)

RESULTS AND DISCUSSION

1. Partial Correlation Coefficient Test Results Calculations using SPSS Version 25 for Windows obtained the following results:

Correlations

		NIM	LDR	ROA
NIM	Pearson Correlation	1	-.114	.422
	Sig. (2-tailed)		.755	.224
	N	6	6	6
LDR	Pearson Correlation	-.114	1	.754*
	Sig. (2-tailed)	.755		.012
	N	6	6	6
ROA	Pearson Correlation	.422	.754*	1
	Sig. (2-tailed)	.224	.012	
	N	6	6	6

*. Correlation is significant at the 0.05 level (2-tailed).

We can interpret the results of the Pearson correlation calculation above as follows: 1. The relationship between NIM and ROA is 0.422 and is in the quite strong category. The direction of the positive relationship between NIM and ROA shows that an increase in NIM tends to be followed by an increase in ROA. 2. The relationship between LDR and ROA is 0.754 and is in the strong category. The direction of the positive relationship between LDR and ROA shows that good LDR in companies tends to be followed by an increase in ROA

2. Simultaneous Correlation Coefficient Test Results Calculations using SPSS Version 25 for Windows obtained the following results:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.911[a]	.830	.782	.33091

a. Predictors: (Constant), LDR, NIM

We interpret the results of the Pearson correlation calculation in the table above as follows: The close relationship between the independent variable and the dependent variable simultaneously is shown by the value R = 0.911. This figure shows the very strong relationship between all independent variables X and the dependent variable Y.

3. Linear Regression Test Results By using SPSS software, the following results were obtained:

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-18.719	3.980		-4.703	.002
	NIM	.338	.103	.515	3.283	.013
	LDR	.241	.046	.813	5.184	.001

a. Dependent Variable: ROA

Through the results of data processing as described in table 4.34, a prediction model for the NIM and LDR variables on ROA can be formed as follows: Y = -18.719 + 0.338X1+ 0.241X

4. The Determination Coefficient can be seen in the following table:
Calculations using the SPSS Version 24 for Windows program obtained the following results:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.911[a]	.830	.782	.33091

a. Predictors: (Constant), LDR, NIM

Based on the calculations and table above, it is known that the joint influence that the LDR and NIM variables have on ROA is 0.830 or 83%, while the remaining 0.17 (1-R2) or 17% is a large contribution of

influence from other factors that are not researched (epsilon).

5. Hypothesis Test Results a. Simultaneous hypothesis testing The statistical value of the F test can be seen from the following output table:

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.748	2	1.874	17.112	.002[b]
	Residual	.766	7	.109		
	Total	4.514	9			

a. Dependent Variable: ROA
b. Predictors: (Constant), LDR, NIM

Based on the table above, it can be seen that the Fcount value is 17.112. This value will be compared with the F-table value. With α=0.05, db1=2 and db 2=7, it is known that the F-table value is 4.74. From the values above, it is known that the value of Fcount (17.112) > Ftable (4.74), so that H0 is rejected and Ha is accepted, meaning that NIM and LDR have a joint effect on ROA at Bank Majalengka.

b. Partial Hypothesis Testing
It is known that the t-calculated value for NIM is 3.3833. This tcount value will be compared with the ttable value in the t distribution table, with α 0.05 for the 2 party test, the ttable value is 1.89458. Because the tcount value (3.3833) is greater than the ttable value (1.89458) and is in the Ho rejection area, so in accordance with the hypothesis testing criteria, it is rejecting Ho and accepting Ha, which means there is a positive and significant influence of NIM on the ROA of Bank Majalengka Majalengka.
It is known that the calculated t value for LDR is 5.184. This tcount value will be compared with the ttable value in the t distribution table, with α 0.05 for the 2 party test, the ttable value is 1.89458. Because the tcount value (5.184) is greater than the ttable value (1.89458) and is in the Ho rejection area so that in accordance with the hypothesis testing criteria it is rejecting Ho and accepting Ha, which means there is a positive and significant influence of LDR on the ROA of Bank Majalengka Majalengka

CONCLUSION AND SUGGESTION

Conclusion Based on data analysis in the previous chapter, the following conclusions can be drawn:

1. There is a positive and significant influence of NIM on the ROA of Bank Majalengka Majalengka. Because the tcount value (3.3833) is greater than the ttable value (1.89458) and is in the Ho rejection area.
2. There is a positive and significant influence of LDR on the ROA of Bank Majalengka Majalengka. Because the tcount value (5.184) is greater than the ttable value (1.89458) and is in the Ho rejection area.
3. NIM and LDR jointly influence the ROA of Bank Majalengka. Because the value of Fcount (17.112) > Ftable (4.74), so H0 is rejected and Ha is accepted.

Suggestion This research has limitations such as only taking national private public banks with foreign exchange so it cannot provide an accurate overall picture of banking in Indonesia. Not only that, another limitation in this research is that the independent variables studied are relatively few and the research time is relatively short so that the research results are not yet accurate.

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