



Analysts Influence of Non Performing Financing (NPF), Finance to Deposit Ratio (FDR), and Operating Costs and Operating Income (BOPO) on the Return on Assets (ROA) of PT BPRS in West Java Province During the Covid-19 Pandemic

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Abstract

The purpose of this study is to determine the Effect of Non-Performing Financing (NPF), Finance To Deposit Ratio (FDR), And Operating Costs And Operating Income (BOPO) On The Return On Assets (ROA) Of PT BPRS In West Java Province During The Covid 19 Pandemic. The research method used is Quantitative. This research has limitations in the implementation of its analysis and discussion, which was carried out only on fifteen (15) largest Sharia People's Financing Banks in West Java Province with ownership of financial statements recorded at the Financial Services Authority, and the analysis was carried out during the COVID-19 pandemic, namely 2020 Quarter 1 to 2021 Quarter 4 or in quarter size. Based on the test results, it showed that partially variables (NPF) had a significant effect on (ROA), (FDR) did not have a significant effect on (ROA), (BOPO) had a significant effect on (ROA). Meanwhile, simultaneously the influence of NPF, FDR, BOPO has a significant effect on (ROA) PT BPRS in West Java Province during the Covid-19 pandemic.

Keywords: NPF, FDR, BOPO, ROA, BPRS in West Java Province, Covid-19 Pandemic



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INTRODUCTION

The uncertainty of the economic situation after the Covid-19 pandemic in Wuhan, China, certainly caused the bank in disbursing its financing to be more cautious. However, in 2021, the economy in Indonesia seems to show that according to Nyimas, making it generally improved, claiming that the stability of the Islamic banking industry is still well maintained. The amount of Sharia bank assets as of September 2021 grew by 12.22 percent with a total of RP 646.21 trillion compared to the same period last year (Republika.id 2022). However, the global economy is currently still overshadowed by the emergence of new variants of covid, namely omicron and the normalization planning of aggressive monetary policy in the United States and turmoil as a consequence of Russia's attack on Ukraine which caused commodity prices to increase and increase.

Because of this, the author is encouraged to analyze the theory that can be implemented in order to develop Islamic people's financing banks related to increasing profitability, if they experience uncertain situations or conditions such as the Covid-19 pandemic and other unexpected things like today. Most of the Sharia People's Financing Banks are located on the main island of Indonesia, Java Island, as the most developed area. Of the total number of Sharia People's Financing Banks, namely 164 RURAL BANKS, as many as 103 Sharia People's Financing Banks or 62 percent are located on the island of Java (Indonesian Central Statistics Agency, 2020).

In addition to carrying out the intermediation function, namely collecting and distributing funds, banking agencies are also obliged to make profits to be able to manage institutions,



including the Sharia People's Financing Bank (kirana, 2021). In this case, the profit or profit obtained from banking institutions can be seen through the profitability ratio, which is defined by the ratio of banks whose function is to measure the profit of their net profit.

Based on the theory developed by Chorafas (2001), that profitability ratio is described as a banking ratio whose function is to measure the net profit profit that the bank gets. The level of bank profits can be calculated through one of the uses of financial ratios in financial performance standards, namely Return On Asset (ROA). This ratio serves to measure how high the amount of profit profit that the bank gets

In an effort to obtain profits, banking agencies, one of which is the Sharia People's financing Bank, also have the task of controlling and suppressing risks that exist in the financial performance of institutions, such as credit risks and managing operational costs. In this banking system, there are several types of bank businesses and business scope in providing financing. If a banking system has an increase in financing distribution, then the problem that banks will face in providing financing is problematic financing or bad financing. In banking terms, it is called bad debt or Non-Performing Financing (NPF). In the theory proposed by Tho'in (2019), Non-Performing Financing (NPF) is a. The ratio that functions in describing non-performing loans which consists of loans that can have certain classifications, including bad, doubtful and also less smooth.

In this case, it is stated by (Ascarya and Yumanita, (2005), that one of the largest incomes owned by banks is from lending services or financing which are also contributors to BPRS. This is an attraction for public interest in using products and services at the People's Credit Bank, especially at the Sharia People's Financing Bank. The existence of problematic financing in large volumes will mention problems and cause the reliability of each bank to decrease. Financing that is included in the non-performing financing category includes non-current financing, doubtful financing, and bad financing. Bank Indonesia or BI, in accordance with bank Indonesia (BI) regulations, determines that the risk ratio is 5%, which is the result of comparing the amount of financing (Kirana, 2021).

Based on the description of the factors of conditions and problems in Islamic banking before, it is felt that it is quite draining for Islamic Banking industry players to date, especially coupled with the emergence of Coronavirus disease (COVID-19) in Wuhan City, China in mid-December 2019. The existence of this virus has made many countries implement a lockdown system so that the spread and transmission of this virus does not increasingly take thousands or even hundreds of thousands of lives (Elnahass et al., 2021).

Based on research conducted by Tuwu (2020), the existence of this virus in Indonesia has occurred since early March 2020, assuming the spread of Coronavirus disease (COVID-19) has occurred in all parts of the world including Indonesia. With the increasing number of people exposed to Coronavirus disease (COVID-19) and the increasing number of victims, this has made the government take policies in implementing lockdowns or PSBB for Indonesia to inhibit the spread of Coronavirus disease (COVID-19). The policies implemented by the government related to overcoming Coronavirus disease (COVID-19) have an impact on society in the economic sector. These government policies and regulations make business sectors such as shops less buyers. This is caused by the government prohibiting or restricting its people from being outside the home (Nathasa and Kusnadi, 2021).

The income factor is the most basic thing that can affect people's behavior towards their interest in using banking products or carrying out their obligations as customers in a bank. this will have an impact on the level of profitability and increase credit risk and management of operational costs in the existing banking system, including the Islamic People's Financing Bank of every community (Khan et al., 2021). In the previous research review, several things that

must be controlled and controlled by the Sharia People's Financing Bank, especially in the conditions of the COVID-19 pandemic, namely the acquisition of profits or profitability received which aims to maintain the sustainability and existence of banking institutions (Demir and Danisman, 2021) as well as credit risk control for the inability of the bank's customers to pay debt obligations for the financing they propose (Fakhrunnas and Imron, 2019).

Control over credit risk can be seen from the position of the Non-Performing Finance ratio, then the Financing Deposit Ratio ratio which is related to the bank's ability to manage its credit risk, as well as the Operational Efficiency Ratio or what we know as another term BOPO which is related to the bank's ability to manage operational costs in its agency when faced with a condition of default or decrease in profitability (Maulana and Febriyanti, 2021; Widarjono and Anto, 2020).

This research is unique from the concept of problem that wants to be discussed, namely the Sharia People's Financing Bank in West Java, because so far the discussion of the concept of Sharia People's Financing Bank always refers to the overall concept that exists in Indonesia and there is very little research that discusses the concept of Sharia People's Financing Bank that exists in a certain area that refers to each province in Indonesia. This is because each province has different characteristics of the concept of developing financial institutions based on the conditions of the region or province. West Java Province with the largest population condition in Java Island and its economy supported by the MSME sector, will greatly affect the condition of the financial system in the region. Therefore, this research is interesting to be studied, especially related to the development of Islamic financial institutions such as Sharia People's Financing Banks. The results of BOPO's research according to Sofyan (2019), any increase in operating costs will result in a decrease in profit before tax which results in a decrease in ROA. The results of the thoin study (2019) NPF ratio has a significant effect on the ROA ratio. The results of Resnawati's research (2019) FDR had a significant effect on ROA.

RESEARCH METHODS

In the theory developed by Sugiyono (2014), in choosing an approach to a research, it must have a strong foundation. In this study, a quantitative approach was chosen based on in-depth observations of background descriptions of data that had been managed by related agencies or objects in this study. This research focuses on individual analysis units in institutions located in certain areas, namely the Sharia People's Financing Bank of West Java Province. In this study, the time dimension used was quarterly obtained per three months for the related research object, namely from 2020 Quarter 1 (March) to 2021 Quarter 4 (December). The maintenance of this time dimension is based on research objectives that refer to the analysis of research objects that occurred during the COVID-19 pandemic. In this study, the location of the study was data on the financial statements of banks of Sharia People's Financing Banks in West Java

RESULTS OF RESEARCH AND DISCUSSION

Result of Research

Research related to the analysis of the influence of NPF, FDR, and BOPO on profitability in Islamic people's financing banks in West Java Province during the COVID-19 pandemic is an empirical study that uses quantitative data through panel data regression analysis. On the other hand, this study aims to analyze the stability of RURAL BANKS in West Java Province during the COVID-19 pandemic. In this study, the object of the study was a sample of all BPRS in West Java Province that had complete financial statements during the COVID-19 pandemic, namely the range of 2019 quarter 1 to 2021 quarter 4, as many as 15 BPRS.

Discussion

Based on the results of the regression analysis of panel data in this study, where the estimated model used is the Random Effect, the results of the elaboration of each NPF, FDR, and BOPO variables against ROA are as follows:

1. ROA.

Based on the results of the analysis, the Random Effect model has a Test F value of 0.000, which is smaller than the significance level used, which is 0.05. When the value of Test F is below the level of significance, it can be said that together all independent variables, namely NPF, FDR and BOPO used in this study can affect the profitability of ROA in BPRS in West Java Province during the COVID-19 pandemic. The results of this study are also in line with the results of research conducted by Tho'in (2019), that the existence of the influence of NPF on profitability provides an illustration, that the greater the financing risks faced by Islamic banks, such as BPRS, will increase the formation of allowances for losses of productive assets from their equity.

2. NPF.

Based on the results of the panel data regression analysis shown in Table 4.8 above, the NPF variable has an influence on the profitability of RURAL BANKS in West Java Province during the COVID-19 pandemic. The results of these estimates show that the NPF variable has a significant effect on the profitability of RURAL BANKS in West Java Province during the COVID-19 pandemic because it has a p-value that is smaller than the significance level of 5% (0.05) with a probability value of 0.000. The correlation of the NPF variable to the profitability of RURAL BANKS in West Java Province during the COVID-19 pandemic is also negative, namely 0.1668485, if there is an increase in the NPF variable by 1%, then the profitability position of the BPRS pad of West Java Province during the COVID-19 pandemic will decrease by 0.1668485 assuming *ceteris paribus*.

3. FDR.

Based on the results of the panel data regression analysis shown in Table 4.8 above, that the FDR variable has an influence on the profitability of RURAL BANKS in West Java Province during the COVID-19 pandemic. The results of these estimates show that the FDR variable has a significant effect on the profitability of RURAL BANKS in West Java Province during the COVID-19 pandemic because it has a p-value that is smaller than the significance level of 5% (0.05) with a probability value of 0.024. The correlation of the FDR variable to the profitability of RURAL BANKS in West Java Province during the COVID-19 pandemic is also negative, namely 0.0329401, if there is an increase in the FDR variable by 1%, then the profitability position of the BPRS pad of West Java Province during the COVID-19 pandemic will decrease by 0.0329401 assuming *ceteris paribus*. FDR's effect on bprs profitability, does not provide an appropriate picture of the existing theory, when there is an increase in FDR, the profit of BPRS also increases

4. BOPO.

The NPF variable has an influence on the profitability of rural banks in West Java Province during the COVID-19 pandemic. The results of these estimates show that the BOPO variable has a significant effect on the profitability of RURAL BANKS in West Java Province during the COVID-19 pandemic because it has a p-value that is smaller than the significance level of 5% (0.05) with a probability value of 0.000. The correlation of the BOPO variable to the

profitability of RURAL BANKS in West Java Province during the COVID-19 pandemic is also negative, namely 0.0491136, if there is an increase in the BOPO variable by 1%, then the profitability position of the BPRS pad of West Java Province during the COVID-19 pandemic will decrease by 0.0491136 assuming *ceteris paribus*. The results of this analysis provide an illustration, that when there is an increase in operational costs in banks, such as BPRS, it will have an impact on reducing the level of profitability. This can also be caused, when operating costs increase

CONCLUSION

Based on the results of the analysis and discussion in the analysis research on the influence of NPF, FDR, and BOPO on profitability in Islamic people's financing banks in West Java Province during the COVID-19 pandemic, the following conclusions can be drawn: Based on the results of the estimated model maintenance in the panel data regression test, where the p-value of the Chow Test is worth 0.0000, which is smaller than the significance level of 0.05 with the results of the fixed effect model. Then, the Hausman Test with a p-value of 0.9421, which is greater than the significance level of 0.05 with the results of the random effect model. Then, test the Lagrange Multiplier with a p-value of 0.000 which is smaller than the significance level of 0.05 with the results of the random effect model. Therefore, the best model or the right model to be used in estimation in this study is the random effect model with the most test results in the hausman test and the lagrange multiplier test.

In the results of the panel regression analysis on the NPF, FDR, and BOPO variables on the profitability of RURAL BANKS in West Java Province during the Covid-19 pandemic, it can be said that the NPF, FDR, and BOPO variables each or partially affect the profitability of RURAL BANKS in West Java Province during the Covid-19 pandemic. This is due to the p-value of \neg NPF being smaller than the significance level of 0.05 (5%) which is 0.000,. Then, FDR's p-value \neg is smaller than the significance level of 0.05 (5%) which is 0.021. Then, the p-value of \neg BOPO is also smaller than the significance level of 0.05 (5%) which is 0.000.

The results of the regression analysis of panel data on the NPF, FDR, and BOPO variables on the profitability of RURAL BANKS in West Java Province during the Covid-19 pandemic, also provide an overview of the correlation or relationship of the influence of these variables to the profitability of RURAL BANKS, where the three varibale have the same correlation results for each variable, namely negative correlation. This illustrates that when there is an increase in the NPF, FDR, and BOPO variables, the BPRS profitability variable will experience a decrease in the coefficient value of the NPF variable of -0.1668458, the FDR variable of

0.0329401, and the BOPO variable of -0.0491136.

There is a simultaneous or joint influence of the variable variables NPF, FDR, and BOPO on the profitability of BPRS in West Java Province during the Covid-19 pandemic obtained from the F-test significance results of 0.000, where the value is smaller than the alpha significance value of 0.05. Overall, the percentage rate of the influence of npf, FDR, and BOPO variables on the profitability of rural banks in West Java Province during the Covid-19 pandemic in this study is based on the R-Squared value of 0.5919 or 59.19 percent.

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