THE EFFECT OF LIQUIDITY, LOAN TO DEPOSIT RATIO AND NON- PERFORMING LOAN ON RETURN ON ASSETS AT BANKING COMPANIES LISTED IN THE INDONESIA STOCK EXCHANGE

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ABSTRACT

The purpose of this research is to test and analyze the influence of Liquidity, Loan to Deposit Ratio and Non Performing Loan on Return on Assets on banking companies listed in Indonesia Stock Exchange for 2016-2020 Period. The approach of this research is quantitative. The type of research is descriptive quantitative. The nature of this research is explanation. The populations of this study are 40 conventional banking companies listed on the Indonesia Stock Exchange in 2016-2020 periods. The sample of this research is 22 conventional banking companies. The results of this study to be concluded this research is Liquidity has a significant effect on Return on Assets on banking companies listed on the Indonesia Stock Exchange in the 2016-2020 period. Loan to Deposit Ratio does not affect on Return on Assets at a banking company listed on the Indonesia Stock Exchange in 2016-2020 period. Non Performing Loan does not have a significant effect on Return on Assets at a banking company listed on the Indonesia Stock Exchange in 2016-2020 periods. Liquidity, Loan to Deposit Ratio and Non Performing Loan have a significant effect on Return on Assets at a banking company listed on the Indonesia Stock Exchange in 2016-2020 period.

Keywords: Liquidity, Loan to Deposit Ratio, Non- Performing Loan and Return on Assets

INTRODUCTION

At a time when the development of the banking world is growing rapidly and there is a lot of competition that must be faced in the banking world, both banking and government banking. The banking world has the most important role in the country's economy, especially in raising funds banking institutions are needed that always receive effective guidance and supervision from the government. Basically the bank's health is a reflection of the current and future condition of the bank and is able to maintain its viability. The health of a bank can be seen from the profitability of the bank itself. If the bank's profitability is high, the company has a good performance and if the company has low profitability, the banking performance declines even worse.

One of the factors that affect bank profitability is liquidity because liquidity is a ratio to measure a bank's ability to meet its short-term obligations when billed. In other words, it can pay back the disbursement of depositors' funds when they are billed and can meet the credit requests that have been submitted. One way to measure bank liquidity is to measure it with a quick ratio. This ratio is used to find out how quickly cash generates company profits.

Another factor that affects the profitability of banks is the loan to deposit ratio because the banks will channel their funds to the public. Loan to deposit ratio states how far the bank's ability to repay withdrawals made by depositors by relying on credit provided as a source of liquidity. If the LDR rasio ratio.

The distribution of funds to customers often has a negative impact which results in low profitability and results in high non-performing loan arrears. Growth from Non-Performing Loans, there are banks whose NPL growth is not in accordance with Bank Indonesia regulations, and there is also NPL growth from several banks that comply with regulations from Bank Indonesia. Bank Indonesia regulations regarding the NPL ratio, namely the criteria for assessing the soundness of the Non-Performing Loan ratio, it can be concluded that the assessment criteria for a healthy bank has an NPL ratio below 5%. And if the bank ratio exceeds 5% then the bank is said to be unhealthy.

Teoritical Liquidity

According to Herlambang and Marwoto (2014:146), liquidity is the company's ability to meet its financial obligations at any time. According to Harmono (2009: 106), liquidity can be defined as the company's ability to meet short-term financial obligations. According to Sitanggang (2012:22), liquidity is a measure of the company's performance in the company's ability to meet financial obligations that must be repaid immediately, namely obligations

Loan to Deposit Ratio

According to Pandia (2012: 128), LDR is a ratio that states how far the bank has used the money of depositors (depositors) to provide loans to its customers. In other words, the amount of money used to provide loans is money that comes from the deposit of the depositors.

According to Sudirman (2013:185), the ratio between loans disbursed and the amount of funds collected by banks or in English is called LDR.

According to Kasmir (2014:363), 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.

Non Performing Loan

According to Latumaerissa (2014:164), NPL is one indicator of the soundness of commercial banks. Because the high NPL shows the inability of commercial banks in the assessment process up to the disbursement of credit to debtors.

According to F.X Soegeng (2018), NPL or the ratio of non-performing loans is the comparison between bad loans and the total loans disbursed by banks to the public. Bad credit is credit that the bank failed to collect.

Return on Assets

According to Hery (2016: 193), the return on assets (ROA) is a ratio that shows how big the contribution of assets is in creating net income. In other words, this ratio is used to measure how much net profit will be generated from each rupiah of funds embedded in total assets.

According to Pandia (2012:71), ROA is a ratio that shows the comparison between profit (before tax) and the bank's total assets, this ratio shows the level of efficiency of asset management carried out by the bank concerned.

Effect of Liquidity on Return on Assets

According to Pandia (2012:124), if a bank wants to have a high level of liquidity, then the bank will be at a high level of safety but will get a low level of profitability. Vice versa, if the bank wants to get maximum profit, the bank's liquidity will be low and less secure in dealing with cash withdrawals by its customers. Therefore, in discussing bank liquidity, bankers often see a dilemma called the liquidity versus profitability dilemma.

According to Muhammad (2014: 158), excess and lack of liquidity both have an impact on banks. If the bank is too conservative in managing liquidity in the sense that maintaining liquidity is too large, it will result in the bank's profitability being low, although from a liquidity shortage risk perspective, it will be safe. On the other hand, if a bank adopts aggressive liquidity management, it tends to be close to liquidity shortage risk but has the opportunity to earn high profits.

The Effect of Loan To Deposit Ratio on Return on Assets

According to Pandia (2012: 182), funds in the banking world, because the greater the funds that can be raised by a bank, the greater the ability of the bank to provide/distribute credit. This means that the amount of bank income will be greater, but the large amount of bank income does not guarantee that it will create large profits; if all or most of the funds used for credit are expensive.

According to Kasmir (2013: 242), for banks or other financial institutions that the ability to channel funds through loans is a must, this is because banking activities do provide loans. So, if the company is not able to provide or increase the number of loans, it will endanger the life of the bank, and vice versa if it is able to meet the credit targets disbursed, both the amount of funds and the number of debtors, then it is a success for the company

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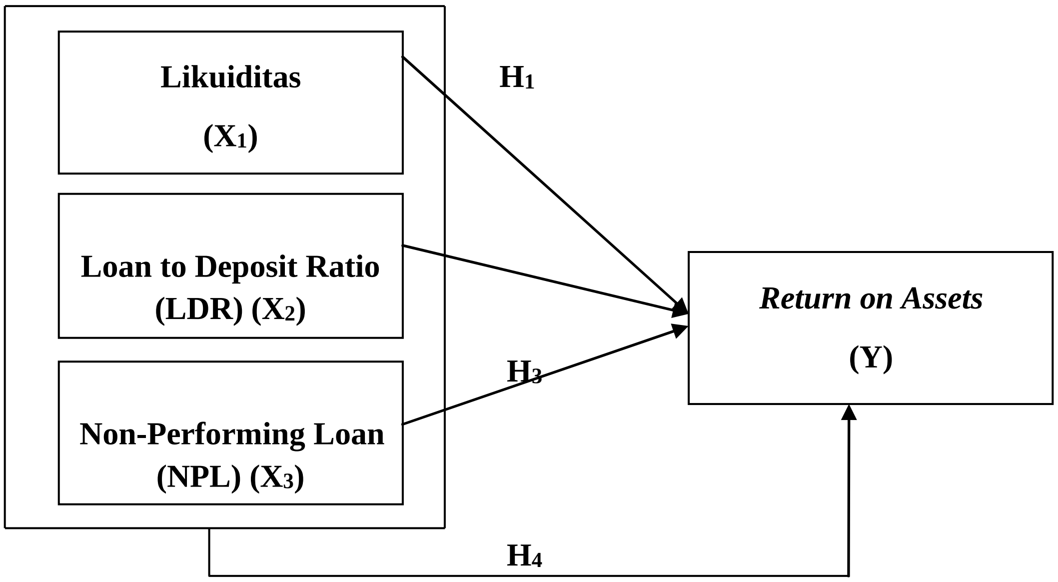
Conceptual Framework

Based on the previous description, the conceptual framework can be described as follows:



Picture 1
Conceptual Framework

Based on the conceptual framework, the hypotheses of this research are as follows:

H1: Liquidity Affects Return on Assets in Banking Companies Listed on the Indonesia Stock Exchange for the 2016-2020 Period.
H2: Loan to Deposit Ratio has an effect on Return on Assets in Banking Companies Listed on the Indonesia Stock Exchange for the 2016-2020 period.
H3: Non-Performing Loans Affect Return on Assets in Banking Companies Listed on the Indonesia Stock Exchange for the 2016-2020 period.
H4 : Liquidity, Loan to Deposit Ratio and Non-Performing Loan have an effect on Return on Assets in Banking Companies Listed on the Indonesia Stock Exchange for the 2016-2020 period.

RESEARCH METHODOLOGY

The place of research carried out by researchers is in Banking Companies Listed on the Indonesia Stock Exchange for the 2016-2020 period by accessing the website www.idx.co.id. This research was started from December 2016 - August 2017.

This research approach is quantitative research. This type of research is a quantitative descriptive type. The nature of this research is explanatory research.

The population in this study were 40 conventional banking companies listed on the Indonesia Stock Exchange for the 2016-2020 period. The sample of this study was 22 conventional banking companies.

Before the regression model obtained is used to test the hypothesis, the model is first tested for classical assumptions. Classical assumption tests performed include: autocorrelation test, heteroscedasticity test, and multicollinearity test. This data analysis model uses multiple regression analysis.

RESEARCH RESULTS AND DISCUSSION

Multiple linear regression analysis was used to predict the change (increase and decrease) of the dependent variable which was explained / connected by two or more independent variables as predictors to be manipulated and to determine whether there was an influence between the independent variables on the dependent variable.

Table 1Multiple Linear Regression Analysis Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2,758	2,180		1,265	,209
	Ln_QR	,377	,100	,382	3,788	,000
	Ln_LDR	-,558	,491	-,117	-1,136	,259
	Ln_NPL	,001	,082	,001	,007	,995

a. Dependent Variable: Ln_ROA

Based on table 1 above, the regression formula is obtained as follows:

Firm Value= 2.758 + 0.377 X1- 0.558 X2+ 0.001 X3

1. A value of 2.758 units states that if the variables of Liquidity, Loan to Deposit Ratio and Non-Performing Loan are zero, the Return on Assets is 2.758 units.
2. The coefficient value of the liquidity variable is 0.377 units and has a positive value stating that every 1 unit increase in liquidity will cause an increase in Return on Assets of 0.377 units.
3. The value of the coefficient of the variable to Deposit Ratio is -0.558 units and a negative value means that every 1 unit decrease in the to Deposit Ratio will cause an increase in Return on Assets of 0.558 units.
4. The coefficient value of the Non-Performing Loan variable is 0.001 units and a positive value indicates that every 1 unit increase in Non-Performing Loans will cause an increase in Return on Assets of 0.001 units.

Table 2 Coefficient of Determination

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,391[a]	,153	,123	,64880

a. Predictors: (Constant), Ln_NPL, Ln_QR, Ln_LDR

Based on Table 2 above, the adjusted R Square (R2) coefficient of determination is 0.123 or equal to 12.3%. With a level of 12.3%, the independent variable has an effect on Return on Assets of 12.3%. And the remaining 87.7 is influenced by other variables such as Operational Cost of Operating Income (BOPO), Capital Adequacy Ratio (CAR), FDR (Financing to Deposit Ratio), good corporate governance, operating risk and cash turnover.

Table 3 Statistical Test Results F

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6,390	3	2,130	5,060	,003[a]
	Residual	35,359	84	,421		
	Total	41,750	87			

a. Predictors: (Constant), Ln_NPL, Ln_QR, Ln_LDR

b. Dependent Variable: Ln_ROA

From Table 3 above, it can be seen that the Fcount result is 5.060> the value of Ftable is 2.71 then Ho is rejected and Ha is accepted with a significant value of 0.003 <0.05 so that Liquidity, Loan to Deposit Ratio and Non-Performing Loan have an effect and are significant on Return. on Assets in Banking Companies Listed on the Indonesia Stock Exchange for the 2016-2020 period.

Table 4 Statistical Test Results t

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
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	Ln_NPL	,001	,082	,001	,007	,995

a. Dependent Variable: Ln_ROA

Partial statistical test results are as follows:

1. Liquidity has a tcount value of 3.788 > 1.988, then Ho is rejected and Ha is accepted with a significant value of 0.000 <0.05 so that Liquidity has an effect and is significant on Return on Assets in Banking Companies Listed on the Indonesia Stock Exchange for the 2016-2020 period.
2. Loan to Deposit Ratio has a tcount of -1.136 > -1.988 then Ho is accepted and Ha is rejected with a significant value of 0.259 > 0.05 so that the Loan to Deposit Ratio has no effect and is not significant on Return on Assets in Banking Companies Registered in Indonesia Stock Exchange 2016-2020 Period.
3. Non-Performing Loans have a tcount of 0.007 < 1.988, then Ho is accepted and Ha is rejected with a significant value of 0.995> 0.05 so that Non-Performing Loans have no effect and are not significant on Return on Assets in Banking Companies Listed on the Indonesia Stock Exchange Period 2016-2020.

Effect of Liquidity on Return on Assets

The results of the study are that liquidity has an effect and is significant on Return on Assets in Banking Companies Listed on the Indonesia Stock Exchange for the 2016-2020 period.

The results of the study are in line with research by Defri (2012), which states that liquidity has a positive and insignificant effect on Return on Assets. According to Pandia (2012:124), if a bank wants to have a high level of liquidity, then the bank will be at a high level of safety but will get a low level of profitability. Vice versa, if the bank wants to get maximum profit, the bank's liquidity will be low and less secure in dealing with cash withdrawals by its customers. Therefore, in discussing bank liquidity, bankers often see a dilemma called the liquidity versus profitability dilemma.

The Effect of Loan To Deposit Ratio on Return on Assets

The results of this study are the Loan to Deposit Ratio has no effect and is not significant on Return on Assets in Banking Companies Listed on the Indonesia Stock Exchange for the 2016-2020 period.

The results of this study are in line with the research replication of Dewi, et. al (2014) which states that LDR partially does not have a significant effect on ROA.

The results of the study are not in accordance with the theory of Pandia (2012: 182), funds in the banking world, because the greater the funds that can be raised by a bank, the greater the ability of the bank to provide/distribute credit. This means that the amount of bank income will be greater, but the large amount of bank income does not guarantee that it will create large profits; if all or most of the funds used for credit are expensive.

The Effect of Non-Performing Loans on Return on Assets

The results of this study are non-performing loans have no effect and are not significant on the return on assets of banking companies listed on the Indonesia Stock Exchange for the 2016-2020 period.

The results of this study are in line with the replication of the research conducted by Negara and Sujana (2014) which states that NPL has no effect on profitability.

The results of the study are not in accordance with the theory of Latumaerissa (2014:164), NPL is one indicator of the soundness of commercial banks. Because the high NPL shows the inability of commercial banks in the assessment process up to the disbursement of credit to debtors. On the other hand, NPL will also lead to a high cost of capital, which is reflected in the operating costs of the commercial bank concerned. With the high cost of capital it will affect the net profit of the bank.

CONCLUSION AND SUGGESTION

Conclusion

Based on the results of the study, some conclusions can be drawn as follows:

1. Liquidity has a significant and significant effect on Return on Assets in Banking Companies Listed on the Indonesia Stock Exchange for the 2016-2020 period.
2. Loan to Deposit Ratio has no effect and is not significant on Return on Assets in Banking Companies Listed on the Indonesia Stock Exchange for the 2016-2020 period.
3. Non-Performing Loans have no effect and are not significant on Return on Assets in Banking Companies Listed on the Indonesia Stock Exchange for the 2016-2020 period.
4. Liquidity, Loan to Deposit Ratio and Non-Performing Loans have a significant and significant impact on Return on Assets in Banking Companies Listed on the Indonesia Stock Exchange for the 2016-2020 Period

Suggestion

For the Company / Management, it is better to increase the company's liquidity as measured by the Quick Ratio because the quick ratio in the company is very important to finance the company's operational activities so as to increase the company's profit level which is reflected in profitability.

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