THE INFLUENCE OF ASSETS QUALITY, EARNINGS AND LIQUIDITY TO CAPITAL FACTOR

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ABSTRACT: This study analyzes the effect of Productive Assets Quality (KAP), Earnings Ability (ROA) and Loan to Deposit Ratio (LDR) to Capital Adequacy Ratio (CAR) of Indonesian State-owned Enterprises Bank that listed on Indonesia Stock Exchange. Secondary data were obtained from published annual reports covering period of 2013-2017. The sample was three Indonesian State-owned Enterprises Bank. The analysis technique use is multiple regression to examine the effect of several independent variables on the dependent variable. The result of this study indicate that Productive Assets Quality (KAP) has no significant effect on Capital Adequacy Ratio (CAR). Meanwhile, Return on Assets (ROA) is positively related to Capital Adequacy Ratio (CAR). On the other hand, Loan to Deposit Ratio (LDR) is significant but negatively related to Capital Adequacy Ratio. The result of this study show 80,2% Capital Adequacy Ratio is influenced by Productive Assets Quality (KAP), Earnings Ability (ROA) and Loan to Deposit Ratio (LDR) an the remaining 19,8% is influenced by other factors.

Keywords: Assets Quality, Earnings, Liquidity, Capital Factor

1. INTRODUCTION

Conditions in the national and even global economies are difficult, conditions in which regulatory regulations are changing so rapidly, increasingly sharp business levels and other trends that encourage all sectors of the economy, including the banking industry, to have solid management governance to be able to deal with all economic conditions what might happen is primarily a detrimental condition. The role of financial institutions in the complexity of development is very extreme where the banking industry plays a role in providing credit and services, serving financing needs and implementing the payment system traffic mechanism as well as a stabilizer and dynamist of the economy.

The global financial crisis in 2008 had a significant impact on the world economic slowdown of 2.2% cited in seconds and was able to overthrow a number of international-scale investment banks. The Bank for International Settlements (BIS) released various policies related to strengthening the capital factor of the banking industry. The Internal Capital Adequacy Assessment Process (ICAAP) is a capital adequacy process with a bank risk profile approach (Bank Indonesia Regulation, 2011). Publication of Basel III 2011 document release that international framework for liquidity risk measurement, standar and monitoring to strengthen global capital anda liquidity rules to improve the banking sector's ability to absorb shock arising from financial and economic stress.

This is what underlies this research conducted to test the effect of assets quality, earanings and liquidity partially and simultaneously on the capital factor for strenghthen the operational activities and going concern banking industry.
Formulation of the research as follows:

1. Does the Quality of Earning Assets affect the Capital Adequacy Ratio?
2. Does the Return on Assets Ratio affect the Capital Adequacy Ratio?
3. Does the Loan to Deposit Ratio affect the Capital Adequacy Ratio?
4. Does KAP, ROA and LDR influence simultaneously on CAR?

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Banks are financial institutions whose activities are to collect funds from the community in the form of savings and redistribute the funds to the public in the form of credit and other banking services (Kasmir, 2010). Quality of Earning Assets is the level of collectability of earning assets that can generate income for banks. The higher the ratio of productive asset quality, the better the rate of return on funds that have been invested (Kasmir, 2011). Return on Assets Ratio is the ratio used to measure management success in generating profits. This ratio is a comparison between profit before tax and total assets owned (Elizar Arief, 2014).

The Liquidity Ratio is the ratio used to measure a bank’s ability to meet its short-term obligations or the ability to repay disbursements and depositors when billed and the ability to meet the credit requests submitted (Elizar Arief, 2014). Capital Adequacy Ratio is used to measure the adequacy of bank capital in absorbing losses and fulfillment of applicable CAR provisions. The higher this ratio shows the more solvable a bank is (Kasmir, 2011).

3. RESEARCH METHODS

3.1 Population
The population is an area of generalization which consists of objects / subjects that have certain qualities and characteristics set by the researcher to be studied and then drawn to conclusions (Sugiono, 2010). The population in this study is Indonesian State-owned Enterprises Bank that listed on Indonesia Stock Exchange covering period 2013-2017.

3.2 Sampel
The sample is part of the number and characteristics possessed by a particular population (Sugiono, 2010). The sample of this study was three published annual report of Indonesian State-owned Enterprises Bank that listed on Indonesia Stock Exchange covering period 2013-2017. The sampling technique of this study uses Purposive Sampling where sampling is based on some criteria.

4. DISCUSSIONS AND ANALYSISI OF RESULT

Normality test aims to test whether in the regression model, the dependent variable and the independent variable both have normal distribution or not. The results of this research normality test through the Normal P-Plot of Regression Standardized Residual are as follows:
Graph the result of the normality in Figure 4.1 can be seen that the regression model is feasible to use because it has fulfilled the assumption of normality, where it is seen that the points spread following the direction of the normality line.

1. Multicollinearity Test
Multicollinearity test aims to test whether the regressions model found a high or perfect correlation between independent variable or not. Multicollinearity test results in this study are presented as follow:

<table>
<thead>
<tr>
<th>Variable</th>
<th>VIF</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>KAP</td>
<td>1,420</td>
<td>VIF &lt; 10</td>
</tr>
<tr>
<td>ROA</td>
<td>1,839</td>
<td>There is no multicollarity</td>
</tr>
<tr>
<td>LDR</td>
<td>1,407</td>
<td></td>
</tr>
</tbody>
</table>

Source: Processed Data

Based on the results of the Collinearity Statistic analysis it can be seen that in the research model there was no multicollinearity where VIF values were less than 10.

2. Heterocedasticity Test
A good regression model is a model that does not occur heterocedasticity. To find out whether or not heterocedasticity between independent variables can be seen through the plot graph as follows:

Picture 4.2 Heterocedaticity Test Result
Source: Processed Data

Based on the graph in Figure 4.2 it can be seen that the points spread evenly above and below the zero line, do not collect at one point and do not form a specific pattern, this means that this regression test does not have heteroscedasticity problems.

3. Autocorrelation Test

Table 4.2 Autocorrelation Test Result

<table>
<thead>
<tr>
<th>Model</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1.985</td>
</tr>
</tbody>
</table>

Source: Processed Data

Based on Table 4.2 it can be concluded that the Durbin-Watson value obtained by this regression model is 1.985 greater than the DU limit (1.9774) and less than (4-DU) or smaller than 2.0226 which indicates that this regression model is not autocorrelation occurs, the data is suitable for use.

4. Multiple Linear Regression

Tabel 4.3 Multiple Linear Regression Result

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unstandardized</td>
<td>Coefficients</td>
<td>Beta</td>
<td>Tolerance</td>
<td>VIF</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>20,966</td>
<td>4,334</td>
<td>4,838</td>
<td>,001</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Kualitas Aktiva Produktif</td>
<td>,148</td>
<td>,026</td>
<td>,086</td>
<td>2,263</td>
</tr>
<tr>
<td></td>
<td>return On Assets</td>
<td>,344</td>
<td>,048</td>
<td>,033</td>
<td>2,868</td>
</tr>
</tbody>
</table>
The constant values with the regression coefficients in Table 4.3 can be explained as follows:
1. A constant of 20,966 indicates that if the independent variables (KAP, ROA and LDR) are assumed to be not constant (constant), the CAR value is 20,966%.
2. The KAP variable coefficient of 0.148 means that each increase in KAP of 1% will cause a CAR increase of 0.148%.
3. The ROA variable coefficient of 0.344 means that if ROA increases by 1%, the CAR will increase by 0.344%.
4. The LDR variable coefficient is -0.046 indicating that if the LDR has increased by 1%, the CAR will decrease by 0.046%.

5. **T-Test (Partial)**

<table>
<thead>
<tr>
<th>Variable</th>
<th>t Table (α = 0.05 df=11)</th>
<th>t Hitung</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>KAP</td>
<td>2,20099</td>
<td>2.263</td>
<td>0.000</td>
</tr>
<tr>
<td>ROA</td>
<td>2,20099</td>
<td>2.868</td>
<td>0.040</td>
</tr>
<tr>
<td>LDR</td>
<td>2,20099</td>
<td>-2.333</td>
<td>0.021</td>
</tr>
</tbody>
</table>

Source: Processed Data

Based on Table 4.4, the influence of each variable KAP, ROA, LDR on CAR can be seen from the significant level (probability), the direction of the variable ROA and KAP has a positive direction, while the LDR variable shows a negative direction. Of the three variables, ROA and LDR have a significant effect on CAR because significant values are smaller than 0.05. Whereas KAP has no significant effect on CAR because the significant value is greater than 0.05.

6. **F-Test (Simultaneous)**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>4,655</td>
<td>3</td>
<td>1,552</td>
<td>3.701</td>
<td>.047</td>
</tr>
<tr>
<td>Residual</td>
<td>24,333</td>
<td>11</td>
<td>2,212</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>28,988</td>
<td>14</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Capital Adequacy Ratio
b. Predictors: (Constant), Loan to Deposit Ratio, Kualitas Aktiva Produktif, return On Assets
<table>
<thead>
<tr>
<th>Variabel</th>
<th>( f ) Table ((\alpha = 0.05 N1=3 N2=11))</th>
<th>( f ) Hitung</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>KAP, ROA, LDR</td>
<td>3.59</td>
<td>3.701</td>
<td>0.047</td>
</tr>
</tbody>
</table>

Source: Processed Data

In Table 4.5 it can be seen that the results of the F test showed a calculated F value of 3.701 with a significance of 0.047. The significance value is smaller than 0.05 and the value \( f \) count > \( f \) table shows that the independent variables simultaneously affect the dependent variable so that the hypothesis proposed, namely KAP, ROA and LDR simultaneously affect the Capital Adequacy Ratio (CAR) received. That is, any changes that occur in the independent variables, namely KAP, ROA and LDR simultaneously or together will affect the CAR.

7. Determination Coefficient (\( R^2 \))

Table 4.6 Determination Coefficient (\( R^2 \)) Result

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.861a</td>
<td>.882</td>
<td>.802</td>
<td>1.48731</td>
</tr>
</tbody>
</table>

Source: Processed Data

The table above shows the correlation coefficient (R) and the determination coefficient (R Square) which explains how much the dependent variable is explained by variable X. The value of Adjusted R Square in this study is 0.802 meaning 80.2% Un is influenced by the three factors are independent variables (KAP, ROA, LDR) while the remaining 19.8% are affected by other factors outside the model.

5. CONCLUSIONS

5.1 Conclusions

a. Based on the results of testing hypothesis 1, the Quality of Earning Assets (KAP) affects the Capital Adequacy Ratio (CAR) of BUMN Banks listed on the IDX for the period.

b. Based on the results of testing hypothesis 2 Return on Assets (ROA) has a partial effect on the Capital Adequacy Ratio (CAR) of State-Owned Banks listed on the IDX for the period 2013-2017.

c. Based on the results of testing the hypothesis 3, the Loan to Deposit Ratio (LDR) has a partial effect on the Capital Adequacy Ratio (CAR) of State-Owned Banks listed on the IDX for the period 2013-2017.

d. Based on the results of hypothesis testing 4 KAP, ROA and LDR have a simultaneous effect on the CAR of BUMN banks listed on the IDX for the period 2013-2017.

5.2 Implication

a. It is important for Indonesian banking management to always maintain the level of capital adequacy in order to increase the effectiveness and efficiency of long-
term banking operations in accordance with PBI policy No.15 of 2013 concerning Minimum Capital Requirement (KPMM) with a risk profile approach and the obligation to form additional capital as a buffer.

b. Quality Assets proxied by KAP ratios show a partial effect on the bank's capital adequacy ratio, thus it is important for the banking industry in Indonesia to maintain the KAP value as a form of high collectivity of banking companies in order to maintain stability in the amount of credit collected by banks. The higher the level of bank collectivity, the better the adequacy of credit risk management in a banking industry.

c. Earning proxied by Return On Assets (ROA) which shows a significant influence with the positive direction of ROA on capital adequacy. This shows that asset management to generate profits for the company is very important for strengthening bank capital. Where an increase in the value of ROA is directly proportional to the increase in the CAR value.

d. Liquidity factor proxied by this Loan to Deposit Ratio (LDR) shows a negative effect on the adequacy of bank capital, meaning that this increase in the LDR ratio will bring negative sentiment towards the bank's capital adequacy ratio. Therefore, banking management must be able to maintain the LDR ratio within the healthy minimum LDR ratio. This liquidity capability is very important for the level of public confidence in depositing funds and credit requests to the banking industry.

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