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**MARKETING INTERNATIONAL SEMINARS
AND THE 4th INTERNATIONAL CONFERENCE
ON BUSINESS AND BANKING INNOVATIONS**

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**Proceeding Book of
The 4th International Conference on Business and Banking Innovations
(ICOBBI) 2022
“The Strategy of Digitalization in Business for Gaining Competitive
Advantages after Pandemic”**

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FOREWORD

Alhamdulillah, praise be to Allah Subhanahu Wa Ta'ala for granting us the opportunity to organize and publish the proceedings of the 4th International Conference on Business and Banking Innovations (ICOBBI) with the topic “The Strategy of Digitalization in Business for Gaining Competitive Advantages after Pandemic”. This proceeding contains several researches articles from many fields in Business & Marketing, Banking & Sharia Banking, Accounting & Financial Management, Human Resources Management, Operations Management, Investasi, Insurance & Capital Market, Strategic Management, Technology Management, and Information System.

The 4th International Conference on Business and Banking Innovations was held on 29th January 2022 by virtual (online) zoom meeting and organized by the Master Management Study Program of Universitas Hayam Wuruk Perbanas in Collaboration with five Higher Education Institutions in Indonesia and three Universities from Asia countries. Keynote speakers in this conference were: Chonlatis Darawong, P.hD (Sripatum University, Thailand), Associate Prof. Dr. Elisha Nasrudin (University of Science, Malaysia), Dr. Sanju Kumar Singh (Postdoctoral Fellowship in Universitas Airlangga, Tribhuvan University Nepal) and Prof. Dr. Abdul Mongid, MA., P.hD (Universitas Hayam Wuruk Perbanas, Indonesia).

I would like to give high appreciation to the Rector of Universitas Hayam Wuruk Perbanas for his support at this event. Acknowledgments and thank you to all the steering and organizing committees of the ICOBBI for the extra ordinary effort during the conference until this proceeding published. Thank you very much to all presenter and delegates from various Universities. Beside it, I would like to express our gratitude to the three universities, namely Universitas 17 Agustus Surabaya, STIE YKPN Yogyakarta, Universitas Negeri Gorontalo, Universitas Surabaya and Universitas Muhammadiyah Surakarta which has been the co-host of this event.

Hopefully, the proceeding will become a reference for academics and practitioners, especially the business and banking industry to get benefit from the various results of the research field of Business and Banking associated with Information Technology. Proceedings also can be accessed online on the website <http://eprints.perbanas.ac.id/>

Chair of the Master Management Study Program
Universitas Hayam Wuruk Perbanas

Prof. Dr. Tatik Suryani, M.M.



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The Effect of Liquidity Ratio, Asset Quality Ratio, Sensitivity Ratio, Capital Ratio and Efficiency Ratio Towards Return On Asset (ROA) on Foreign Exchange National Private Commercial Banks

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ABSTRACT

This research aims to examine whether LDR, NPL, NIM, CAR and IRR both simultaneously and partially have significant effect toward Return On Asset (ROA) on Foreign Exchange National Private Commercial Banks. The sample used in research are Bank BTPN, Bank Index Selindo, Bank KEB Hana Indonesia, Bank Multiarta Sentosa, and Bank Permata. This research uses secondary data analysis technique uses multiple regression analysis. The result of the research show that LDR, NPL, NIM, CAR and IRR simultaneously have significant effect towards Return On Asset (ROA) on Foreign Exchange National Private Commercial Banks. LDR, NIM, and IRR have a significant effect towards Return On Asset (ROA). NPL partially have negative significant effect towards Return On Asset (ROA). CAR Have a positive significant effect towards Return On Asset (ROA).

Keywords : Liquidity, Asset Quality, Sensitivity, Capital, and Efficiency toward Return On Asset (ROA)

1. INTRODUCTION

1.1 Background of the Problem

In today's economy, an institution with a major role in increasing the economic development of a country is needed. The role of increasing the economic development is owned by banking. According to Article 1 of Law no. 10 of 1998 amendments to Law no. 7 of 1992 concerning banking, a bank is a business entity that collects funds from the public in the form of savings and distributes it to the public in the form of credit and/or other forms in order to improve the standard of living of the people (Kasmir, 2012:13). The main function of a bank is to collect funds from the public who have funds and channel them back to the public for various

financial intermediary purposes. In line with its function, the distribution of funds is carried out in the form of credit or other forms to those who need funds.

Banks also need to be assessed from the level of soundness through the level of profitability. Banking profitability is a bank's ability or ability to obtain profitability which can be measured using profitability ratios, including Return on Assets (ROA).

Return On Assets (ROA) of a bank should improve over time and increase or be able to provide profits for the bank. The decrease in Return on Assets (ROA) indicates a decrease in the ability of total assets to generate profit for the bank. The size of the Return On Assets (ROA) generated by a bank can be used as a benchmark for the bank's ability to obtain overall profits. Therefore, it is necessary to conduct research to

determine the factors that cause a decrease in ROA in National Private-Foreign Exchange Commercial Banks.

Table 1.1.
The Development of Return On Assets (ROA) in National Private-Foreign Exchange Commercial Banks for 2014-2019 Period

ROA Development	Years						
	2013	2014	2015	2016	2017	2018	2019
National Private-Foreign Exchange Commercial Banks	3.08	2.85	2.32	2.23	2.38	2.50	2.45

Source: Quarter IV Banking Industry Profile Report, Financial Services Authority (OJK), Processed, www.ojk.go.id

Table 1.1 shows changes in Return On Assets (ROA) from year to year. In Quarter IV of 2019 Return on Assets (ROA) decreased by 5%, that it can be interpreted as a decrease in Return on Assets (ROA) at National Private- Foreign Exchange Commercial Banks. The decline in Return On Assets (ROA) could be due to the influence of the global economy as well as the domestic economy that occurred at that time. This is the background for further research on the factors that affect ROA at National Private Foreign Exchange Commercial Banks

1.2 Problem Formulation

Based on the background presented, the problems to be discussed in this study are formulated as follows:

1. Do the variables of LDR, NPL, NIM, CAR, and IRR together have a significant effect on ROA of National Private- Foreign Exchange Commercial Banks?
2. Does LDR variable affect the ROA of National Private- Foreign Exchange Commercial Banks?
3. Does NPL variable affect the ROA of National Private- Foreign Exchange Commercial Banks?
4. Does NIM variable affect the ROA of National Private- Foreign Exchange Commercial Banks?
5. Does CAR variable affect the ROA of National Private- Foreign Exchange Commercial Banks?

6. Does IRR variable affect the ROA of National Private- Foreign Exchange Commercial Bank?
7. Which among LDR, NPL, NIM, CAR and IRR variables has a dominant effect on ROA in National Private Foreign Exchange Commercial Banks?

1.3 Research Objectives

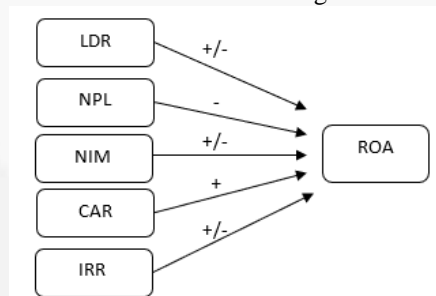
Based on the formulation of the problem, the objectives of this research are as follows:

1. Determining the level of significance of LDR effect on ROA of National Private Foreign Exchange Commercial Banks.
2. Determining the level of significance of NPL effect partially on ROA of National Private Foreign Exchange Commercial Banks.
3. Determining the level of significance of NIM effect partially on ROA of National Private Foreign Exchange Commercial Banks.
4. Determining the level of significance of CAR effect partially on ROA of National Private Foreign Exchange Commercial Banks.
5. Determining the level of significance of IRR effect partially on ROA of National Private Foreign Exchange Commercial Banks.
6. Determining which among LDR, NPL, NIM, CAR and IRR variables that have dominant effect on ROA of National Private Foreign Exchange Commercial Banks.

2. LITERATURE REVIEW

2.1 Theoretical Framework

Based on the theoretical basis and the relationship of variables used in the present study, the framework is shown in Figure 2.1.



2.2 Research Hypothesis

Based on the theoretical framework that has been stated, the hypotheses proposed by this study are as follows:

H₁ : LDR significantly affect ROA of National Private Foreign Exchange Commercial Banks.

H₂ : NPL has significant negative effect on the ROA of National Private Foreign Exchange Commercial Banks.

H₃ : NIM significantly affect ROA of National Private Foreign Exchange Commercial Banks.

H₄ : CAR has significant positive effect on the ROA of National Private Foreign Exchange Commercial Banks.

H₅ : IRR significantly affect ROA of National Private Foreign Exchange Commercial Banks.

3. METHOD

3.1 Research design

In this study, the research design is be divided into 2 (two) aspects:

1. Based on Purpose
Causal associative research is a question asking the relationship between two or more variables and is causal. This study aims to determine the effect of LDR, NPL, NIM, CAR and IRR variables.
2. Based on the type of research and data sources
This is a quantitative study with data in the form of numbers. This is a formal study because the relationship among the variables used is clear. From the time period, it uses time series and cross section data. Meanwhile based on the data source, this study uses secondary data in the form of banking financial reports taken from 2014-2019 Financial Services Authority (OJK) website.

3.2 The scope of research

The scope of this research only discusses the limitations contained in a study. The limitations in this study include the following points:

1. The data sample was limited to quarter IV financial statements published by national private foreign exchange commercial banks in the period 2014-2019 and obtained from the website of the Financial Services Authority (OJK) www.ojk.go.id.
2. The Variables limited to Loan to Deposit Ratio (LDR), Non Performing Loan (NPL), Net Interest Margin (NIM), Capital Adequacy Ratio (CAR), Interest Rate Risk (IRR).

3.3 Population and Sampling Techniques

The population in this study is "National Private Foreign Exchange Commercial Banks" as shown in Table 3.1. In this study, the analysis was not carried out on all members of

the population yet was limited to bank members who were selected as samples.

Sampling was carried out using purposive sampling technique i.e. a technique based on certain criteria adapted to research (Syofiyar Siregar, 2014: 58). In taking the sample, the percentage value of Return On Assets (ROA) was in accordance with the provisions set by Bank Indonesia by 1.25 to 1.5 percent for the category of banks with good condition. In addition, the sampling also considered the total asset value of National Private Foreign Exchange Commercial Banks which can provide opportunities for customers who wish to invest their funds in selected sample banks as shown in table 3.2.

Tabel 3.2
The Sample Selected Bank of National Private Foreign Exchange Commercial Banks for 2019 Period

No.	Nama Bank	Total Aset	ROA
1.	PT. Bank BTPN, Tbk	167,492,734	1.29%
2.	PT. Bank Index Selindo	9,255,671	1.33%
3.	PT. Bank KEB Hana Indonesia	45,050,371	1.54%
4.	PT. Bank Multiarta Sentosa	14,412,876	1.28%
5.	PT. Bank Permata, Tbk	161,264,340	1.30%

Source: Banking Industry Profile Report, Financial Services Authority (OJK), Processed, www.ojk.go.id

Based on the above criteria, five banks were selected for the sample of the study.

3.4 Data and Data Collection Method

The source of data used in this study is secondary data in the form of quarter IV bank financial statements published in 2014 to 2019. The data was compiled and analyzed to meet the needs of the research. The data method used was documentation method, i.e. data collection from published financial reports issued

by the website of the Financial Services Authority (OJK) www.ojk.go.id.

3.5 Data Analysis Techniques

Data analysis techniques used in this study included descriptive and statistical analysis. Statistical analysis technique used in data processing was multiple linear regression analysis with the aim of determining the effect of the variables of Loan to Deposit Ratio (LDR), Non Performing Loan (NPL), Net Interest Margin (NIM), Capital Adequacy Ratio (CAR), Interest Rate Risk (IRR) and Return on Assets (ROA) at National Private Foreign Exchange Commercial Banks.

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