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THE EFFECT OF THIRD PARTY FUNDS GROWTH, CREDIT GROWTH, NON PERFORMING LOAN (NPL) AND INTEREST RATE ON PROFITABILITY IN CONVENTIONAL COMMERCIAL BANKS LISTED ON IDX FOR THE PERIOD 2018-2021

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ABSTRACT

Profitability refers to the ability of a business to generate profits within a certain period of time by using productive assets or capital, such as total capital and own capital. However, poor profitability may imply that management's financial performance is less than desirable in terms of generating profits. To see an increase in profitability in a company, external and internal parties will pay attention to several factors that can affect profitability. This study was conducted to examine and analyze the effect of growth of third party funds, credit growth, non-performing loans (NPL) and interest rates on profitability. The population used in this study is conventional commercial bank companies listed on the Indonesia Stock Exchange for the 2018-2021 period. The sample used in this study were 129 companies using the purposive sample method. Data analysis technique using multiple linear regression analysis. The results of the analysis obtained in this study are the growth of third party data, credit growth and interest rates have a significant positive effect on profitability, while non-performing loans (NPL) have no effect on profitability.

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1. INTRODUCTION

The economic growth of a country can be assessed by several criteria, one of which is the performance of banks as financial institutions that are very significant in leading the community's economy in a profitable direction. The profitability ratio is used to determine the level of efficiency of the business being run and the level of profitability achieved by the bank. Banks can achieve profitability if their business operations are managed effectively. Profitability refers to the ability of a business to use productive assets or capital, such as total capital and own capital, to earn profits within a certain period of time. Profitability is the most relevant metric to assess bank performance. However, poor profitability may imply that management's financial performance is less than desirable in terms of generating profits.

The growth of third party funds shows the amount of money collected by savings, current accounts, and time deposits from the general public. To estimate the growth of third party funds, this is done by comparing the current year's total third party funds with the previous year's total third party funds under the control of the bank. In previous research conducted byParenrengi & Hendratni (2018), argue that the growth of third party funds(TPF) has a positive and significant effect on Return On Assets (ROA). While the research conducted byPradnyasari& Muliati (2021), who argues that the growth of third party funds has no significant effect on profitability

Credit development is another internal aspect that contributes significantly to profitability growth. This is due to the fact that banks rely heavily on lending activities as their main source of income (Hasmiana et al, 2022). In previous research conducted by Sukmawati & Purbawangsa(2016), argues that credit growthno significant negative effect on profitability. While the research conducted bySulistiawati et al(2021), who argues that credit growthpositive and significant effect on profitability.

Non-Performing Loan(NPL) is a financial ratio that reflects credit risk and is one of the assessments of the soundness of a bank in terms of assets. According to Riyadi (2006), the higher the level of the NPL ratio, the worse the credit quality which causes the number of non-performing loans to increase so that the possibility of a bank being in a problematic condition increases. In a previous study conducted by Piliang (2019), it was argued that NPL had a positive and insignificant effect on ROA. While the research conducted byKorri & Baskara(2019), which argues that NPL has a negative and significant effect on profitability.

Interest rate is the value, rate, price or profit given to investors from the use of investment funds based on the calculation of economic value within a certain period of time. Interest rates are considered important and affect profitability, because unreasonable interest rates can directly disrupt banking developments.In previous research conducted by Pradnyasari & Muliati(2021), argues that interest rates have a positive and significant effect on profitability. While the research conducted byHatiana & Pratiwi(2020), which argues that interest rates have a negative and insignificant effect on profitability.

2. METHOD

2.1 Data Source

According to Sugiyono (2013: 116), population is a generalization area that consists of objects or subjects that have qualities and characteristics by researchers to be studied and conclusions drawn. In this study, the population to be studied is conventional general banking companies listed on the Indonesia Stock Exchange in 2018-2021. The source of this research uses secondary data. The research sampling technique used the purposive sample method. The number of samples in this study were 144 samples and the final sample results after the outliers were 129 data.

2.2 Analysis Method

The method used in this study uses quantitative data because the data obtained will be inputted into a statistical measurement scale. The research analysis technique uses descriptive statistics which is a method related to collecting or presenting data and providing useful information. The results of data analysis can be done by looking at the significant value. If the significant value is > 0.05 then the data is said to be normal. However, if the significant value is > 0.05 then the data is said to be abnormal.

3. RELUST AND DISCUSSION

The population in this study are banking companies listed on the Indonesia Stock Exchange (IDX) in 2018-2021. The type of data that the author uses in this study is secondary data. Determine the number of samples using purposive sampling method with certain criteria that have been determined. This discussion starts from a description of the results of data collection, classical assumption testing, data analysis which finally takes the form of regression analysis and a discussion of the influence of independent variables on the dependent variable which in this study is "Growth of Third Party Funds (X1), Credit Growth (X2), Non Performing Loans (X3) and Interest Rates (X4). The dependent variable in this research is Profitability in the form of ROA (Y) ratio."

3.1 Descriptive Statistics of Research Variables

Descriptive analysis in this study will describe the minimum, maximum, mean and standard deviation of each variable, namely Third Party Fund Growth (X1), Credit Growth (X2), Non Performing Loans (X3), Interest Rates (X4) and Return On Assets (Y). The following are descriptive statistics of research data processed using SPSS version 25:

Table 1. Descriptive Statistical Test Results Before Outlier

Statistics

		ROA	TPF	Credit	NPL	Interest rate
N	Valid	144	144	144	144	144
	Missing	0	0	0	0	0

mean	.0152	.0917	.0596	.1899	.0811
median	.0093	.0721	.0518	.0739	.0682
Std. Deviation	.02235	.21601	.17574	.25050	.06822
Variance	.000	.047	.031	.063	.005
Minimum	-.01	-.73	-.64	.00	.00
Maximum	.18	.92	.78	1.00	.47

Source: Processed secondary data, 2022

Table 2. Descriptive Statistical Test Results After Outlier Statistics

		ROA	TPF	Credit	NPL	Interest rate
N	Valid	129	129	129	129	129
	Missing	0	0	0	0	0
mean		.0113	.1049	.0677	.1742	.0782
median		.0078	.0803	.0520	.0702	.0675
Std. Deviation		.01264	.18904	.15174	.24038	.06262
Variance		.000	.036	.023	.058	.004
Minimum		-.01	-.73	-.33	.00	.00
Maximum		.08	.77	.78	1.00	.47

Source: processed secondary data, 2022

Table 1 shows that the average of each variable in the 144 observation data is positive. In increasing profit (ROA), the company must first consider the variables that influence it.To observe these changes, this study takes data on the financial statements of banks listed on the Indonesia Stock Exchange for the period 2017-2021. In table 3.2 are descriptive statistics of the data that have been outliers. Outlier is the process of removing extreme data from the equation model. So that data obtained as much as 129 observation data as shown in the table which will be used for further tests. The following are the results of the analysis on descriptive statistics as follows:

1. In general, the average ROA of 129 banking observation data listed on the IDX during the 2018-2021 period is 0.0113 or 1.13% with a range between -0.01 to 0.08. The standard deviation of 0.01264 indicates the diversity of DER values in the research sample is low (homogeneous).
2. The growth of TPF of 129 banking observation data listed on the IDX during the 2018-2021 period is 0.1049 or 10.49% with a range between -0.73 and 0.77. The standard deviation of 0.18904 shows the variation in the distribution of the LDR value is quite high when compared to other variables.
3. In general, the average credit growth of 129 banking observation data listed on the IDX during the 2018-2021 period is 0.0677 or 6.77% with a range between -0.33 to 0.78. Positive credit growth indicates an increase in the number of loans extended to related parties and third parties compared to the previous period, in this study there is still a decline in credit growth rates. The standard deviation of 0.15174 indicates the level of diversity in the value of Credit Growth in the research sample is quite high when compared to other variables.
4. In general, the average NPL of banks listed on the IDX during the 2018-2021 period is 0.1742 or 17.42% with a range between 0.00 to 1.00. This shows that there are still banks that have high NPLs

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or non-performing loans. The standard deviation of 0.24038 indicates the highest diversity of CAR values in the study sample (Heterogeneous).

5. In general, the average interest rate of banks listed on the IDX during the 2018-2021 period is 0.0782 or 7.82% with a range between 0.00 to 0.47. The standard deviation of 0.06262 shows the diversity of the interest rate values in the research sample, including low (homogeneous).

3.2 Classic assumption test

a) Normality test

Table 3. Normality Test Descriptive Statistics

	N	Skewness		Kurtosis	
	Statistics	Statistics	Std. Error	Statistics	Std. Error
Unstandardized Residual	129	.297	.213	-.087	.423
Valid N (listwise)	129				

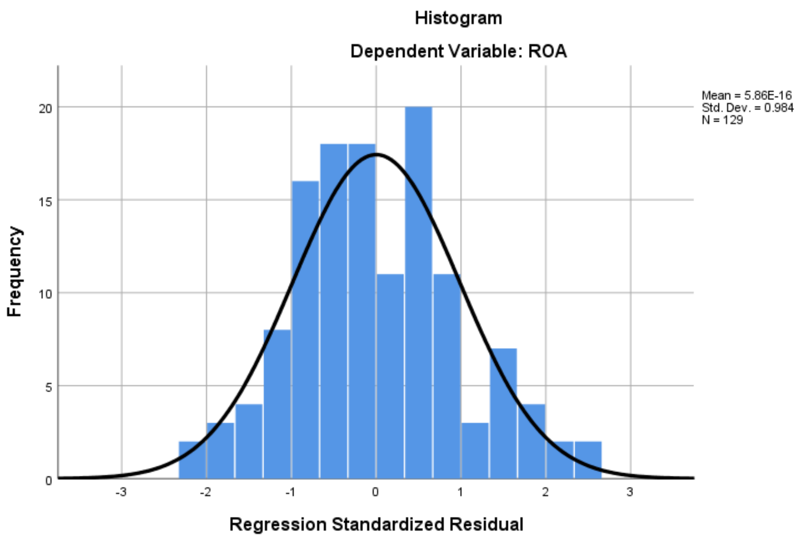

Figure 1. Histogram Graph

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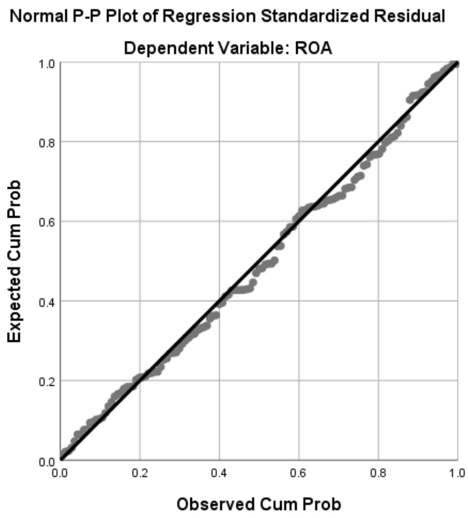

Figure 2. PP Plot Regression Graph

From the results of the normality test above, the Z value of Skewness is 1.394 < 1.96 and the Z value of kurtosis is -0.205 < 3 (with a significance of 0.05 or 5%) thus the residual value is normally distributed and it can be concluded that the data processed to meet the assumption of normality.

b) Multicollinearity Test

Table 4. Multicollinearity Test

Coefficientsa

Model		Unstandardized Coefficients		T	Sig.	Collinearity Statistics	
		B	Std. Error			Tolerance	VIF
1	(Constant)	-.001	.001	-.436	.664		
	TPF	-.013	.003	-4.029	.000	.951	1.051
	Credit	.015	.004	3.816	.000	.944	1.060
	NPL	-.003	.003	-1,256	.211	.949	1.053
	Interest rate	.162	.010	16,814	.000	.957	1.045

a. Dependent Variable: ROA
Source: processed secondary data, 2022

The test used in this study used the Glejser Test. Obtained VIF < 10 and Tolerance > 0.1, it can be concluded that the data is free from multicollinearity or there is no relationship between the independent variables so that it can be continued with the heteroscedasticity test.

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c) Heteroscedasticity Test

Table 5. Heteroscedasticity Test Coefficientsa

Model		Unstandardized Coefficients B	Std. Error	t	Sig.
1	(Constant)	.004	.001	5.902	.000
	TPF	-.002	.002	-1.213	.227
	Credit	.004	.002	1,663	.099
	NPL	.002	.001	1.146	.254
	Interest rate	.011	.006	1982	.051

a. Dependent Variable: ABS_RES
Source: processed data, 2022

It can be seen that all variables have a significance that is more than 0.05, so it can be concluded that there is no influence between the residual value or the confounding variables that are influenced by the variables X1, X2, X3 and X4. Then the data is free from heteroscedasticity symptoms.

d) Autocholeration Test

Table 6. Autocorrelation Test

Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.855a	.731	.722	.00666	1,823

a. Predictors: (Constant), Interest_Rate, TPF, NPL, Credit

b. Dependent Variable: ROA

Source: processed data, 2022

The data can be said to be free from autocorrelation symptoms if the DW test value is less than 4-du and greater than du. The SPSS output above shows the DW test value of 1.823. The following data is needed to read the Durbin Watson table

K = Number of Independent Variables
n = Total Observation Data
K = 4
n = 129
dl = 1.6492
du = 1.7769

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Figure 7. Simulation of Autocorrelation Limits

Autocol (+)	Unclear	No Autocol	Unclear	Autocol (-)

0	dl	du	4-du	4-dl	4
0	1.6492	1.7769	**1.823** 2.2231	2.3508	4

Source: Durbin Watson Table

Because the durbin Watson value at the SPSS output is 1.823, which is more than dU and less than "4 – dU", it can be concluded that there is no autocorrelation symptom, so it can be continued with statistical tests with multiple regression tests.

3.3 Multiple Linear Regression Analysis

Table 8. Multiple Linear Regression Test

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.001	.001		-.436	.664
	TPF	.013	.003	-.192	4.029	.000
	Credit	.015	.004	.183	3.816	.000
	NPL	-.003	.003	-.060	-1,256	.211
	Interest rate	.162	.010	.800	16,814	.000

a. Dependent Variable: ROA

Source: Processed data, 2022

The table above shows that TPF growth has a significant positive effect on ROA of 0.000, the alpha value is smaller than 0.05 or 5%. Similarly, the variables of Credit Growth and Bank Interest Rates individually or partially have a significant positive effect on ROA because the Sig value is 0.000 and 0.000, respectively, which is smaller than 0.05. Meanwhile, NPL has no effect on changes in ROA of a bank because the significance value of NPL is greater than 0.05 (0.211 > 0.05). The value of Unstandardized B indicates the magnitude of the influence of the independent variable on the independent variable. The biggest influence lies in the interest rate which has a positive value of 0.162, followed by a credit growth rate of 0.015 with a significant positive effect, then the growth of deposits with an effect of 0.013.

3.4 Capital Eligibility Test

a) F Uji test

Table 9. F . Test

ANOVAa

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.015	4	.004	84,287	.000b
	Residual	.005	124	.000		
	Total	.020	128			

a. Dependent Variable: ROA

b. Predictors: (Constant), Interest_Rate, TPF, NPL, Credit

Source: processed data, 2022

Based on the Spss output above, the Sig value is 0.000 <0.05, which means it is significant. The results in the table show that the regression results obtained a significance value of 0.000 which is smaller than the 0.05 alpha level. This indicates that the regression model used in this study is feasible.

b) Coefficient of Determination Test (R Square)

Table 10.Coefficient of Determination Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.855a	.731	.722	.00666

a. Predictors: (Constant), Interest_Rate, TPF, NPL, Credit

b. Dependent Variable: ROA

Source: processed data, 2022

Based on the SPSS output above, the Adjusted R Square value of 0.722 or 72.2% means that the variables of Third Party Fund Growth (X1), Credit Growth (X2), Non Performing Loans (X3), Interest Rates (X4) are able to provide an explanation of the Changes in the value of Return On Assets (Y) of 72.2% and the remaining 27.8% are influenced by other variables outside the study.

3.5 Discussion

1) The Effect of Third Party Fund Growth on Profitability

The results showed that TPF growth had a significant positive effect on Return On Assets (Y). The first hypothesis (H1) which states that TPF growth has a significant positive effect is accepted. This means that when there is an increase in TPF growth, it can trigger an increase in bank profitability (ROA), and vice versa, a decrease in TPF growth can have an impact on decreasing bank profitability (ROA).

2) The Effect of Credit Growth on Profitability

The results of the study indicate that credit growth has a positive and significant effect on ROA. This means that changes in the form of an increase or decrease in Credit Growth in a Bank cause changes in the Bank's Profitability (ROA). When the credit growth rate increases, the ROA also increases and vice versa. The second hypothesis (H2) which states that Credit Growth has a significant positive effect on Bank Profitability (ROA) is accepted.

3) The Effect of Non-Performing Loans (NPL) on Profitability

The results showed that NPL had no effect on ROA or in other words NPL had a negative but not significant effect on ROA. This means that changes in the form of increases or decreases in the NPL of a bank do not cause changes in bank profitability (ROA) or the ROA value tends to remain. The third hypothesis (H3) which states that NPL has a significant negative effect on Bank Profitability (ROA) is rejected.

4) The Effect of Interest Rates on Profitability

The results showed that the interest rate of a bank has a significant positive effect on ROA. This means that changes in the form of increases or decreases in the interest rate of a bank cause changes in bank profitability (ROA) or the ROA value tends to remain. The third hypothesis (H4) which states that the Interest Rate has a significant positive effect on Bank Profitability (ROA) is accepted.

4. CONCLUSION

Based on the results of the analysis and discussion described in the previous chapter, the conclusions of this study include The growth of Third Party Funds (TPF) has a significant positive effect on Profitability (ROA) at Banks that Go Public on the Indonesia Stock Exchange in 2018-2021. Credit growth has a significant positive effect on Profitability (ROA) at Banks that Go Public on the Indonesia Stock Exchange in 2018-2021. Non-Performing Loan(NPL) has no effect on Profitability (ROA) of Banks that Go Public on the Indonesia Stock Exchange in 2018-2021. Interest Rates have a significant positive effect on Profitability (ROA) at Banks that Go Public on the Indonesia Stock Exchange in 2018-2021.

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