Manajemen & Bisnis Berkala Ilmiah
Volume 14.1 No.10 (Maret 2015) : 113-123

THE FACTORS THAT AFFECTING FINANCIAL PERFORMANCE IN BANK

Putri Ayu Arista Dewi
Economic and Bussines Faculty, Halu Oleo University
Yusuf
Economic and Bussines Faculty, Halu Oleo University, yusuf_rauf@roketmail.com
Arbia Ali
Economic and Bussines Faculty, Halu Oleo University
Chamariyah
Economic Faculty, Wijaya Putra University

Abstract

The important of strong and healthy banking sector is really needed for economical development continuance in Indonesia which of course begins from districts to central. This condition encourages the parties involved in it to do appraisal on bank financial performance. This research is done to 10 Bank Perkreditan Rakyat in Southeast Sulawesi with the aims for knowing and analyzing the effect of CAR, LDR, BOPO and PPAP on Bank Perkreditan Rakyat financial performace (ROA) in Southeast Sulawesi. This research result shows that the improvement of CAR and BOPO will push the reduction of ROA, meanwhile LDR is not proven able to increase ROA even tended to become the cause of enhancement of ROA. Meanwhile increase of PPAP is proven to boost of ROA.

Keywords: CAR, LDR, BOPO, PPAP, ROA

Abstrak

Pentingnya sektor perbankan yang kuat dan sehat sangat dibutuhkan untuk kelanjutan pembangunan ekonomi di Indonesia yang tentu saja dimulai dari kabupaten sampai pusat. Kondisi ini mendorong pihak-pihak yang terlibat di dalamnya untuk melakukan penilaian terhadap kinerja keuangan bank. Penelitian ini dilakukan terhadap 10 Bank Perkreditan Rakyat di Sulawesi Tenggara dengan tujuan untuk mengetahui dan menganalisis pengaruh CAR, LDR, BOPO dan PPAP terhadap Kinerja Keuangan Bank Perkreditan Rakyat (ROA) di Sulawesi Tenggara. Hasil penelitian ini menunjukkan bahwa peningkatan CAR dan BOPO akan mendorong penurunan ROA, sedangkan LDR yang tidak terbukti mampu meningkatkan ROA bahkan cenderung menjadi penyebab peningkatan ROA. Sementara kenaikan PPAP terbukti bisa mendorong ROA.

Kata kunci: CAR, LDR, BOPO, PPAP, ROA

JEL Classification: G2, M21

1. Research Background

The existence of financial intermediatery institution which is banking is very important within modern economic system. As the intermediatery institution, banking has to have good performance, because with the good performance bank will be easier to gain trust from customers (agent of trust). Banking as bussines entity in finance sector really needs that trust from the customer in order to support and accelerate activities that are done. The smoothness of the activity that is done by bank will be very supportive in reaching welfare of stakeholders and will increase the company value.

Banking sector role is very important to economic because banking service very helpful in pushing the investment and development. Based on operational performance, bank's role for

Indonesia is very big. It can be seen form the main function of bank that has been established by the government in UU No. 7 year 1992 and has been changed with UU No. 10 year 1998 about banking, providing a more efficient mechanism and payment tool in economic activity, raising fund and distribute it to community and offering financial services such as remittance, money safe storage, and even means of payment or billing.

Because of the importance of banking, a strong and healthy banking is really needed for the economic development continuance in Indonesia which of course begins with the district up to central. This banking condition encourages the parties involved in it to do appraisal on bank health. One of the party that needs to know the performance of a bank is stockholder, because the better performance of a bank, the bigger security of invested fund. Bank financial performance can be found out by using financial ratios. This thing is in accordance with the statement of Muljono (1999) that the comparation in form of ratio produces the number that is more objective, because the performance measurement can be more comparated with other banks or previous periodes.

To evaluate financial and performance condition of certain company, financial analysis needs certain standard. The standard that used is ratio that connected between some financial data. According to Kuncoro and Suhardjono (2002) one of the ratio that used to measure and compare bank profitability performance is Return on Asset (ROA). Return on Asset (ROA) shows the ability of bank management in producing income form asset management that they have.

Accoridng to Sawir (2005) profitability ratio aims to know the bank ability in generate profit during certain periode, also aims to measure the management effectivity level in running several incomes. Return on Asset indicates the bank ability to generate income by using its asset, the bigger this ratio indicates the better performance of this bank.

Return on Asset (ROA) choosen as bank financial performance measurement indicator in this research because the more increase the ROA, the more increase company probability also, so that it can be said that bank financial performance is as successful as desired and goal of the stockholder and company which is profitability enhancement. ROA is used to measure company effectivity in showing profit by utilizing the asset that it has. ROA is the ratio between profits before tax on total asset. The bigger ROA shows the better financial performance. If ROA increasing, that means company profitability increase more, so that the last effect is the increasing of profitability that enjoyed by stockholder.

Some factors that has effect on bank performance are CAR, BOPO, and LDR (Kartika and Muhamad Syaichu, 2006; Julita, 2011; Muh Sabir *et al*., 2012; Tryo and Chabachib, 2012; Kadek and I Made, 2013; Luh Eprima Dewi *et al*., 2015).

Some previous researchs that have tried to reveale the connection between BOPO, CAR, and market share is Bambang Sudiyatno and Suroso (2010), tested the effect of BOPO and CAR on financial performance on banking sector. Research result shows CAR has positive and significant effect on ROA, meanwhile BOPO has negative and significant on ROA. Kartika and Muhammad Syaicu (2006) analyzed the effect of CAR, LDR, and BOPO on ROA. Research result shows that CAR, LDR, and BOPO variables has significant effect on ROA, meanwhile BOPO has negative effect on ROA.

Based on empirical search and study form some research results above, the effect of CAR, LDR, and BOPO effect on bank financial performance (ROA) is still showing different results, so that the advanced research is still needed.

As for the researcher motivation to do the research about factors that affecting bank financial performance beside the unconsistency of previous research finding, it is also because the researcher wants to continue the research result of Kartika and mUhammad Syaicu (2006) that suggested to input new independen variable which is PPAP (elimination and abolition productive asset) in the models they conscientious.

This research is done to all Bank Perkreditan Rakyat in Southeast Sulawesi with the consideration that economic growth in Southeast Sulawesi now is very developing and of course that things cannot be separated from banking role and support sector, but Southeast Sulawesiis one of many places that is still developing, whereas ins some district's areas have not yet become strategic places for marketing to almost all part of commercial bank that exist. But the lack of genral bank role in encouraging investmen in district, since 2011 has been placed by the establishment some BPR in districts that exist in SOutheas Sulawesi by Southeast Sulawesi Governor which is BPR Bahtera Msas in order to support and push the economic growth and investment in district.

Because of that, based on the background and suggestion for Kartika and Muhammad Syaicu (2006) research, also phenomenon that exist, the researcher interesting to do the research with the title of "Factors That Affecting Bank Perkreditan Rakyat Financial Performance in Southeast Sulawesi".

1.1 Literature Review

1.1.1 CAR, LDR, BOPO and PPAP Effect on ROA

Based on theoretical and empirical study about factors that affecting bank performance above, so the hypothesis that proposed is

H_1: CAR, LDR, BOPO and PPAP has significant effect on ROA

1.1.2 CAR Effect on ROA

CAR is the financial ratio that is related to with banking capital whereas the amount of capital of a bank will affect to able or no a bank to run the activity efficiently. If the capital that the bank has is able to absorb the losses which are undeniable, it means that the bank manages the activity efficiently, so that the bank wealth is expected to increase as well as the opposite (Muljono). The more efficient ban capital that is used to operational activity makes the bank able to increase the profit (Kartika and Muhammad Syaichu, 2006). Therefore, CAR has effect on bank performance.

Some results show that CAR has positive and significant effect on ROA (Kartika nad Muhammad Syaichu, 2006; Bambang Sudiyatno and Suroso, 2010; Bambang SUdiyatno and Rini Setiyowati, 2012). Refer to those research results so the hypotheis that proposed in this research is

H_2: CAR has positive and significant effect on ROA

1.1.3 LDR Effect on ROA

Increasing of LDR means that capital distribution to loan is getting bigger so the profit will increase. This profit increasing causes bank performance which is measured by ROA is getting higher. The good LDR standard is between 85% up to 110%. Because of that management must able to manage the profit that raised form he community in order to redistribute in the form of loan.

That theorical logic is supported by the research result of Basran Desfian (2005) that stated LDR variable partially has positive effect on ROA. This means that the higher LDR up to certain limit will be more capital distributed in form of loan so it will increase the interest income therefore ROA is getting higher. BAsran Desfian (2005) stated that in accordance with the theory which is LDR enhancement is caused by enhancement in loan giving or capital raising by community whereas this thing can affect bank liquidity that affects on people's trust level.

Referring to that study, therefore hypothesis that is proposed in this research about the LDR effect on bank performance which is measured by ROA is

H_3: LDR ha spositive and significant effect on ROA

1.1.4 BOPO Effect on ROA

According to Bank of Indonesia provision, operating expenses per operational earning (BOPO) is the comparison between total operational spending with the operational earnings. Operational efficiency is done by bank in the effort to know whether during the bank, in their

operation that is related to bank primary bussines is done correctly (in accordance with management and stockholder sides) also used for showing whether the bank has used all production factor with appropriate and effective (Mawardi, 2005). Therefore, operational efficiency of a certain bank that is projected with BOPO ratio will affecting the bank performance.

Some research results show that BOPO has negative and significant effect on ROA (Agus Suyono, 2005; Basran Desfian, 2005; Wisnu Mawardi, 2005). Referring to those research results, therefore hypothesis that proposed in this research is

H_4 : BOPO has negative and significant effect on ROA

1.1.5 PPAP Effect on ROA

PPAP compliance ratio shows the bank management ability in determining the amount of PPAP that has formed based on PPAP that must be formed. The higher this ratio the smaller possibility that the bank in problematic condition, it is because the higher PPAP that has been formed based on PPAP that must be formed. PPAP counting that has been formed is according to the provisions of the applicable asset quality product.

Hyposthesis that proposed in this research is about PPAP compliance effect on bank performance that measured with ROA is

H_5: PPAP compliance has negative and significant effect on ROA

2. Research Method

This research uses explanatory research approach which means to gives explanation about causal coneection between variables through hypothesis testing or aims to empirically proof CAR, LDR, BOPO, an PPAP effect on financial performance (ROA) of Bank BPR in Southeast Sulawesi.

This research uses explanatory research approach which is meant to give explanation of causal relationship between variables through hypothesis testing or aim to prove empirically influence influence of CAR, LDR, BOPO and PPAP to financial performance (ROA) of BPR Bank in Southeast Sulawesi.

Data used in this research is the banks BPR in Southeast Sulawesi financial report of Desember 2013 – 2015 that has been audited and then published by Bank of Indonesia. Data analysis is done by using multiple linear regressions.

3. Result and Discussion

3.1 Research Result

The multiple linear regressions measurement analysis result summary in this research can be seen in Table 1. It is noted that regression equation that produced in this research is as follows:

$$Y = - 0{,}212\ X_1 - 0{,}004\ X_2 - 0{,}644\ X_3 + 0{,}295\ X_4$$

Referring to Table 1 and equation above, can be interpreted as follows:

1. Constant (a) is positively shows that there is effect from another variable outside of variables that is studied in this research
2. Regression coefficient value for CAR (X_1) variable of -0,212 shows that there is negative effect form CAR (X_1) variable on ROA (Y) variable. This result shows the increasing of CAR will be followed by decreasing of ROA in bank in Southeast Sulawesi area
3. Regression coefficient value for LDR (X_2) variable of -0,004 shows there is negative effect from LDR (X_2) variable on ROA (Y) variable. This thing shows the increasing of LDR will be followed by decreasing of ROA in bank in Southeast Sulawesi area

4. Regression coefficient value for BOPO (X_3) of -0,644 shows there is positive effect from BOPO (X_3) variable on ROA (Y) variable. This thing shows the increasing of BOPO will be followed by increasing of ROA in bank in Southeast Sulawesi area
5. Regression coefficient value for PPAP (X_4) of 0,295 shows there is positive effect from PPAP (X_4) variable on ROA (Y) variable. This thing shows the increasing of PPAP will be followed by increasing of ROA in bank in Southeast Sulawesi area.

Table 1. Result Analysis CoefficientValue

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	14.513	2.698		5.380	0.000
	Capital Adequacy Ratio	-0.281	0.104	-.0212	-2.697	0.012
	Loan to Deposit Ratio	0.000	0.013	-0.004	-.0057	0.955
	Operating Expenses and Operating Income	-0.119	0.023	-0.644	-5.205	0.000
	Allowance and Removal of Productive Assets	0.024	0.010	0.295	2.334	0.028

Dependent Variable: Return on Assets

Correlation between ROA, LDR, BOPO, and PPAP variables with ROA are known from multiple R value. Meanwhile the five independent variables contribution values on dependent variables are know form R-square value, as how it seems in Table 2 as follows:

Table 2. Multiple R, R-Squarem dan Standar Error Value

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.928[a]	0.861	0.839	0.56824

a. Predictors: (Constant), Productive Asset Allowance and Removal, Loan to Deposit Ratio, Capital Adequacy Ratio, Operational Spending and Earning

b. Dependent Variable: Return on Assets

Multiple R value of 0,928 or 92,8 percent shows that the correlation between CAR, LDR, BOPO, and PPAP variables with ROA are very strong, this thing caused by multiple R value which is close to 1 or more than 0,50. Then determinant coefficient (R^2) value of 0,861 shows that 86,1 percent of ROA dpendent variable enlighten or explained by independent variables: CAR, LDR, BOPO, PPAP. Meanwhile the other 0,139 or 13,9 percent explained by another variable that is not included to the model.

3.2 Research Hypothesis Testing

3.2.1 Hypothesis Testing

Simultanously hypothesis testing can be tested based on F count value or probability (Sig). F is as seen in Table 3. as follows:

Table 3. F count and F Probability (Sig.) Value

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	49.926	4	12.481	38.655	0.000[a]
	Residual	8.072	25	0.323		
	Total	57.998	29			

a. Predictors: (Constant), Productive Asset Allowance and Removal, Loan to Deposit Ratio, Capital Adequacy Ratio, Operational Spending and Earning

b. Dependent Variable: Return on Assets

Hypothesis 1: CAR, LDR, BOPO and PPAP effect on ROA

Test result shows that F count value that is produced is 38.655 with the probability (sig.) level of 0,000. Probability (Sig.) level that is produced is lower than level of significant (α) that is established which is 0,05. This result shows that CAR, LDR, BOPO, and PPAP simultaneously have significant effect on ROA. Therefore, hypothesis 1 research that stated CAR, LDR, BOPO, and PPAP simultaneously have positive and significant value on ROA of bank BPR in Southeast Sulawesi can be accepted.

Based on that thing, it can be explained that the increasing of CAR, LDR, BOPO, and PPAP simultaneously will increase ROA of Bank BPR in Southeast Sulawesi.

3.2.1.2 Partial Hypothesis Test

T statistic test used in order to test the significant level partially between Independent (X) and dependent (Y) variable. This t test is used to know the predicition and regression coefficient accuracy that obtained, the higher t test value and the lower significance value, it means that the more accurate specified prediction accuracy in regression model.

Hypothesis 2: CAR has positive and significant effect on ROA

Test result shows that t count value for CAR variable is 2,697 with its regression coefficient of -0,212 and probability (sig.) value of 0,012. Probability value produced is smaller than level of significant (α) value determined which is 0,05. This result shows that hypothesis that stated CAR variable has positive and significant effect on ROA of bank BPR in Southeast Sulawesi is not proven (rejected). Based on that thing, therefore this finding can be explained that CAR will reduce ROA of bank BPR in South east Sulawesi.

Hypothesis 3: LDR has positive and significant effect on ROA

Test result shows that t count value for LDR variable is -0,057 with regression coefficient value of - 0,004 and probability (sig.) value of 0,955. Probability value produced is bigger than level of significant (α) value determined which is 0,05. This result shows that hypothesis that stated LDR variable has positive and significant effect on ROA of bank BPR in Southeast Sulawesi is not proven (rejected). Based on that thing, therefore this finding can be explained that LDR will reduce ROA of bank BPR in South east Sulawesi.

Hypothesis 4: BOPO has negative and significant effect ROA

Test result shows that t count value for BOPO variable is – 5,205 with regression coefficient value of - 0,644 and probability (sig.) value of 0,000. Probability value produced is smaller than level of significant (α) value determined which is 0,05. This result shows that hypothesis that stated BOPO variable has negative and significant effect on ROA of bank BPR in Southeast Sulawesi is accepted. Based on that thing, therefore this finding can be interpreted that reducing BOPO will push the increasing of ROA of bank BPR in South east Sulawesi.

Hypothesis 5: PPAP has negative and significant effect on ROA

Test result shows that t count value for PPAP variable is 2,334 with regression coefficient value of - 0,295 and probability (sig.) value of 0,028. Probability value produced is smaller than level of significant (α) value determined which is 0,05. This result shows that hypothesis

that stated PPAP variable has negative and significant effect on ROA of bank BPR in Southeast Sulawesi can be accepted. Based on that thing, therefore this finding can be interpreted that the higher PPAP will reduce ROA of bank BPR in South east Sulawesi.

4. Conclusion

Based on the multiple regression analysis result that has been done in order to know CAR, LDR, BOPO, and PPAP effect on ROA of bank BPR in Southeast Sulawesi whether simultaneously or partially, 3 (three) hypotheses gained to be proposed are accepted. The discussion of CAR, LDR, BOPO, and PPAP effect on ROA of bank BPR in Southeast Sulawesi test result can be outlined as follows:

4.1 CAR, LDR, BOPO, and PPAP effect on ROA

One of the standards to see the banking performance according to MUdrajat Kuncoro and Suhardjono (2002) is through Return on Assets (ROA). Return on Assets (ROA) used as the standard financial performance standard and made as the dependent variable because ROA is used to measure company effectivity in profit by using asset that it has.

Some factors that have effect on bank performance (ROA) are CAR, BOPO, LDR, and PPAP (Kartika and Muhamad Syaichu, 2006; Julita, 2011; Muh Sabir *et al*., 2012; Tryo and Chabachib, 2012; Kadek and I Made, 2013; Benny Nurzikri Rahim (2014); Luh Eprima Dewi *et al*., 2015)

This research finding proof that CAR, LDR, BOPO, and PPAP is simultaneously or together can increase ROA of bank BPR in Southeast Sulawesi. Finding of this research expand the finding evidence of Kartika and Muhammad Syaichu (2006) research and also Luh Eprima *et al.,* (2015) that show CAR, LDR, BOPO, PPAP can increase ROA simultaneously.

This research finding also support Listyorini Wahyu Widati (2012) finding that stated CAR, LDR, DER, BOPO, and PPAP are importamnt determinat in increasing ROA

4.2 CAR Effect on ROA

Capital ratio that normally used to measure the bank health is Capital Adequacy Ratio (CAR). CAR measured from ratio between capitals on Weighted Asset According to Risk (ATMR). With the increasing of capital, therefore bank health that is related with capital ratio (CAR) is increasing and with the large capital, therefore the chance to gain company profit also getting higher (Masyhud, 2004)

Conceptually, CAR that is too big also needs to be consideration of bank management, because that thing indicates that bank's own capital is not operationalized optimally so that bank expense increases by bear the large capital cost (Masyhud, 2004).

This research result shows that CAR has negative and significant effect, this finding is in accordance with Masyud (2004) opinion that stated the bigger CAR also affecting of the bigger capital cost expense that has to borne by bank so that it is affecting to the decreasing of bank financial performance.

In running its unction, bank also has to take care of its capital adequacy ratio or CAR (article 29, paragraph 2, Laws of Republic Indonesia No. 10 year 1998). Capital is also important aspect to rate bank health because it is related to bank solvency. CAR msut be reached by commercial bank determined as 8%, whereas determination of amount of CAR must be obeyed by all commercial bank. This thing is intended to increase the discipline and professionalism for every commercial bank to manage all their assets that they have to receive profit for bank.

Capital used to rate how big bank capability to bear the risks that may happen. Bank that has high level of risk will be more solvable. Vice versa bank that has small risk identify that the bank is less solvable. The high level of capital will increase cash reverse that can be used to expand the loan, so that high level of solvency will open bigger opportunity for bank in order to raise their profitability level. In the opposite, bank that has low level of solvency will reduce

bank ability to raise its profitability level, it can even reduce community trust, so that it will be a bad effect to its bussines continuance. Based on the variable description table, it shows that average CAR of bank BPR in Southeast Sulawesi is 37,20, this mean that it is > 8%, above standard determined, so that bank is in the high solvency state, but this condition also shows that bank has to really carefull in managing its capital adequacy ratio so its profitability decreases.

This research result supports Kadek and I Made (2013) and Sparta (2013) research results that show CAR has negative and significant effect on ROA by stating the bigger capital adequacy ration of a bank can decrease that bank profitability because bank always try to optimizing capital that it has to win the competiton. That effort can be shown by the increasing of banking company size in Indonesia from year to year. In order for optimizing capital that the bank has, it will push the capital raising increasing form community through many kinds of promotional program, raising interest rate funds and also decreasing interest rate loans up to near the point of base of lending rate of the bank. Beside that thing, central bank policy in Basel agreement causes banking capitalization getting higher so that in the end it pushes the decreasing of banking spread.

This research result is not in accordance with Julita (2011) and Clorinda Karunia (2013) research result which stated that CAR has no effect to ROA. This research result also does not support Listyorini Wahyu Widati (2012) research result finding which stated that CAR has positive and significant effect on ROA.

4.3 LDR Effect on ROA

Basran Desfian (2005) stated that LDR variable partially has positive effect on ROA. This means that the higher LDR up until certain limit, there will be more fund that distributed in the form of loan in which will increase the interest income so that ROA is getting higher. Basran Defian (2005) stated that in accordance with the theory of increasing of LDR caused by increasing in loan given or fund raising by community whereas this thing can affect bank liquidity that affecting on community trust level.

The research result shows that LDR has insignificant negative effect, this research finding shows that increasing of LDR is affecting in the decreasing of ROA. LDR used to measure how far the ability of bank to pay all of the community funds and own capital by rely on loan that has been distributed to community. In the other words, bank is able to meet its short-term obligation such as repay the disbursement of funds depositors when it is billed and also able to meet the loan demand that proposed. This thing shows the higher the ratio, it gives indication that the lower bank liquidity ability. This thing caused by some amount of funds which is needed to pay the loan is getting bigger, and it is affecting to the decreasing of bank ability in generate income whereas in the end implicates in decreasing of ROA.

Based on description variable table shows that average LDR of BPR in Southeast Sulawesi is in 94,51, this thing shows that LDR standard is still in good position because it still in the good LDR standard which is 85% up to 110%. This research finding shows that each LDR of bank is quite good, but total asset that own by each BPR that used for generate profit is not worth it so that average ROA of BPR in Southeast Sulawesi tend to be small.

This research result shows that LDR has negative and insignificant effect on ROA, this research finding does not support the research result of Listyorini Wahyu Widati (2012) and Luh Eprima Dewi *et al.,* (2015) that show LDR has positive and significant effect on ROA by stated that the larger fund that raised from the community distributed in the exact form of loan will be a higher bank earnings which means the higher potential to reach ROA.

4.4 BOPO Effect on ROA of bank BPR in Southeast Sulawesi

BOPO is the ratiop between operational spending on operational earning. BOPO also show bank effectivity, the smaller BOPO show the more effective the bank in running its bussines activity. BOPO ratio also shows bank effectivity in running its primary bussines

mainly loan based on amounts of funds that is raised. In fund raising especially community funds (third party fund) it is needed another cost beside interest costs (including advertisement costs).

A healthy bank, the BOPO ratio is less than 1, in the opposite, unhealthy bank (including BBO and Take over), its BOPO ratio is more than 1. That thing is because operational costs is the costs that spend by bank in the mean to run the primary bussines activity (such as interest costs, employee costs, marketing costs, and another operational costs). Meanwhile operational earning is the primary earning of bank which is interest that generates from fund allocation in form of loans and another operational cost (Muljono, 1999)

This research result shows that BOPO has negative and significant effect on ROA. This research finding supports Kartika and Muhamad Syaichu (2006), Kadek and I Made (2013), Sparta (2013), Luh Eprima Dewi *et al.,* (2015) research result that shows the bigger BOPO ratio of a bank means the bigger the cost per one-unit revenue. So that the bigger BOPO of a bank shows the more inefficient the ban is, whereas in the end it will cause the smaller ROA that the bank has.

Based on description variable table shows that average BOPO BPR in Southeast Sulawesi is very big which is 80,21, this result can be explained that banks BPR in Southeast Sulawesi genrally inefficient in running their bussines operation and the tendency affecting the lower ROA BPR in Southeast Sulawesi.

This research finding is not in accordance with the research that done by Listyorini Wahyu WIdati (2012) that finds BOPO has positive value but not as significant on ROA by stating that operational cost control must be noted energetically by management in order to generate maximum profit so it can increase bank performance to generate profit.

4.5 PPAP Effect on ROA Bank BPR di Southeast Sulawesi

Productive Asset Elimination Allowance (PPAP) is the reserve that has to be formed as big as certain percentage in debit balance based on classification of earning assets. In accordance with the Laws of Bank of Indonesia No.8/19/PBI/2006 about classification of earning assets and Formation of Allowance for Earning Assets of Bank Perkreditan Rakyat, compulsory to form PPAP in form of general PPAP and special PPAP

PPAP compliance ratio shows bank management ability in determining amount of PPAP that has been formed based on compulsory PPAP. The bigger this ratio, therefore the probability of a bank in problematic state is smaller because the bigger that has been formed based on compulsory PPAP. PPAP counting that has been formed based on the productive asset quality provision.

This research result finds that PPAP has negative and significan effect on ROA, this finding shows that the bigger PPAP will make banks BPR performance and potential decrease in terms of generate profit. This thing can be explained that the thing is done by banks BPR with the aimes of reducing the possibility of the bank to face any troublesome condition.

This research finding also can be explained by referring to description variable Table 5.2 that shows average value of PPAP Bank BPR in Southeast Sulawesi which is pretty high opf 35,33, this thing shows that BPR in Southeast Sulawesi pretty much careful in running their bussines operation by forming productive asset reserve that has preety high accelerate quality to anticipate bad loan or problematic. But that thing implicates in the amount of asset cost that has to borne by bank and at the end decreasing the bank potential to generate profit (ROA).

This research result expands the proof of Benny Nurzikri Rahim (2014) research finding that PPAP is defining factor that important for ROA. But this research result is not in the same way like Listyorini Wahyu Widati (2012) research result finds that PPAP has positive but insignificant by saying that banking company eventhough has formed productive asset elimination allowance with the rules from Bank of Indonesia but in the operation there is still substandard or bad loans but by the formation of PPAP, therefore operational loan becomes

distributed loan will be accelerate so that earning/return that generated by bank is still exist.

This research has been done by the optimum effort but of course the expected result to get closer to perfection is yet to be accomplished, because of that this research still has some limittations as follows:

1. Bank Perkreditan Rakyat sample that is used in this research is relatively small (only 10 banks), because of the sample taken in Bank Perkreditan Rakyat in Southeast Sulawesi
2. Observation periode that is used in this research is relatively short which is 2013 – 2015.

References

Ang, Robert. 1997. *Buku Pintar Pasar Modal Indonesia (The Intelligent Guide to Indonesian Capital market),* Mediasoft Indonesia, Jakarta.

Audri Ayuwardani Parathon, Dzulkirom, Devi Farah (2013). Analisis Rasio Keuangan Perbankan SebagaiI Alat Ukur Kinerja Keuangan Bank (Studi Kasus PT. Bank Pembangunan Daerah Jawa Timur, Tbk Surabaya periode 2009-2012). *Jurnal Administrasi Bisnis* Vol. 3 No 2 (2013). *http://administrasibisnis.studentjournal.ub.ac.id* (diakses tagl 20 mei 2016)

Bambang Sudiyatno and Suroso (2010), Analisis Dana Pihak Ketiga, BOPO, CAR dan LDR Terhadap Kinerja Keuangan Pada Sektor Perbankan yang Go Public di Bursa Efek di Indonesia (BEI) Periode 2005-2008

Basran Desfian, 2005, "*Analisis Faktor-Faktor yang Berpengaruh Terhadap Kinerja Bank Umum di Indonesia tahun 2000-2003*"**,** Tesis Program MM Undip tidak Dipublikasikan.

Julita (2011), Pengaruh *Non-Performing Loan* (NPL) dan *Capital Adequacy Ratio* (CAR) Terhadap Profitabilitas (ROA) pada Perusahaan Perbankan yang Terdaftar dI BEI. Kumpulan jurnal dosen universitas muhammadiyah Sumatera Utara, Volume1 No1 (2011). *http://jurnal.umsu.ac.id/index.php/kumpulandosen/article/view/286* (diakses tanggal 21 mei 2016)

Kadek and I Made (2013), Pengaruh NPL terhadap ROA dengan mediasi CAR dan BOPO pada perbankan Indonesia. Fakultas Ekonomi dan Bisnis Universitas Udayana (Unud), Bali, Indonesia. *e-mail: indah_maheswari@yahoo.com*/ telp: +62 853 3000 5658

Kartika Wahyu Sukar

no, Muhamad Syaichu, 2006. Analisis faktor-faktor yang mempengaruhi kinerja bank umum di Indonesia. *http://ejournal.undip.ac.id/index.php/smo Volume 3, Nomor 2, Juli, Tahun 2006, Halaman 46*

Laporan keuangan Bank Sultra. *http://banksultra.co.id/v4/investor/laporan/keuangan.html* (diakses tanggal 25 mei 2016)

Luh Eprima Dewi, Nyoman Trisna Herawati. SE., M.Pd., Ak. Luh Gede Erni Sulindawati. SE., M.Pd., Ak. (2015). *Analisis Pengaruh NIM, BOPO, LDR, dan NPL Terhadap Profitabilitas (Studi Kasus Pada Bank Umum Swasta Nasional Yang Terdaftar Pada Bursa Efek Indonesia Periode 2009-2013)*

M Daviq and Djumahir (2016), Analisa Kinerja Dengan Rasio Keuangan Pada Perusahaan *Food and Beverage* yang *Listing* Di Bursa Efek Indonesia Tahun 2012-2014. *jimfeb.ub.ac.id/index.php/jimfeb/article/viewFile/2618/2373 (diakses tanggal 20 mei 2016)*

Masyhud, Ali, 2004. *Asset Liability Management: Manyiasati Risiko Pasar dan Risiko Operasional*. Jakarta: PT. Gramedia.

Modigliani, Franco and Miller, Merton H. (1958), *The Cost of Capital, Corporation Finance and the Theory of Investment*.

Mudrajad Kuncoro. 2003. *Metode Riset untuk Bisnis dan Ekonomi*. Jakarta: Erlangga

Muljono Teguh Pudjo. 1999. *Analisa Laporan Keuangan Untuk Perbankan*. Edisi revisi 1999. Cetakan 6. Jakarta Djambatan. 1999.

Nur Indriantoro, Dr., M.Sc., Akuntan, Bambang Supomo, M.Si., Drs., Akuntan, 2002. *Metedologi Penelitian Bisnis*. Yogyakarta: Edisi Pertama, Penerbit BPFE.

Paolucci, Elisa Menicucci Guido, (2016),"The determinants of bank profitability: empirical evidence from European banking sector", Journal of Financial Reporting and Accounting, Vol. 14 Iss 1 pp. -

Perhimpunan Bank Perkreditan Rakyat Indonesia (2016), Daftar Nama Anggota Perbarindo Sulawesi Tenggara*, http://www.perbarindo.or.id/sulawesi-tenggara/*

Rashid, Abdul and Jabeen, Sana (2016). Analyzing performance determinants: Conventional versus Islamic Banks in Pakistan. Borsa_Istanbul Review 16-2 (2016) 92-107. Available online at *http://www.elsevier.com/journals/borsa-istanbul-review/2214-8450*

Solimun. 2002, *Multivariate Analysis Structural Equation Modelling (SEM) Lisrel dan Amos*. Fakultas MIPA, Universitas Brawijaya.

Sugiyanto, (2002), "Manfaat Indikator-Indikator Keuangan Dalam Pembentukan Model Prediksi Kondisi Kesehatan Perbankan", *Jurnal Bisnis Strategi,* Vol. 10, hal. 11-23

Sugiyono, Prof., Dr., 1999, *Metode Penelitian Bisnis*, Cetakan Ke-6, Bandung, CV. Alfa Beta.

Suparman (2015), Perbarindo: BPR di Sultra Kurang dikenal di Masyarakat, *http://www.antarasultra.com/berita/279985/perbarindo-bpr-di-sultra-kurang-dikenal-masyarakat.* diakses tanggal 17 November 2016.

Suparman, 2015. *http://www.antarasultra.com/berita/279985/perbarindo-bpr-di-sultra-kurang-dikenal-masyarakat.* diakses tanggal 17 November 2016).

Surat Edaran Bank Indonesia No. 3/30DPNP tanggal 14 Desember Tahun 2001

Surat Edaran Bank Indonesia No. 6/73/INTERN DPNP tanggal 24 Desember Tahun 2004

Surat Keputusan Direksi Bank Indonesia No. 31/147/KEP/DIR Tanggal 12 November 1998

Suyono, Agus. 2005. *Analisis Rasio-rasio Bank Yang Berpengaruh Terhadap ROA*. Tesis Program Pasca Sarjana Magister Manajemen Universitas Diponegoro. Semarang. Tersedia di: http://eprints.undip.ac.id/14659/

The American Economic Review, Vol. 48, No. 3 (Jun., 1958), pp. 261-297 Published by: American Economic Association

Usman, Bahtiar. 2003. *Analisis Rasio Keuangan Dalam Memprediksi Perubahan Laba Pada Bank- Bank Di Indonesia*. Media Riset Bisnis dan Manajemen, Vol. 3, No. 1, April 2003.

Walsh. Ciaran, 2003,*" Key Management Ratios: Rasio-Rasio Manajemen Penting Penggerak dan Pengendali Bisnis"* Edisi 3. Erlangga, Jakarta. Terjemahan Shalahuddin Haikal

Wisnu Mawardi (2005), *Analisis Faktor-Faktor yang Mempengaruhi Kinerja Bank Umum di Indonesia (Studi Kasus Pada Bank Umum dengan Total Aset Kurang dari 1 Trilyun)*. Tesis Program Magister Manajemen Program Pasca Sarjana Universitas Diponegoro.Semarang. Tersedia di: *http://eprints.undip.ac.id/10135/*

Wisnu Mawardi. 2005. Analisis Faktor-faktor Yang Mempengaruhi Kinerja Keuangan Bank Umum di Indonesia (Studi Kasus Pada Bank Umum Dengan Total Assets Kurang Dari 1 Triliun). *Jurnal Bisnis Dan Strategi.* Vol.14. No.1. Juli 2005.

www.bi.go.id/web/id/Publikasi/Laporan+Keuangan+Publikasi+Bank/Bank/Bank+Umum+Konvensional/

Z. Dunil. 2005.Risk-*Based Audit.*PT Indeks Kelompok Gramedia: Jakarta.