

The Effect of Risk Profile, Income, and Capital Profiles on Earnings Changes in Banking Industries

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ABSTRACT: *This study aims to determine the effect of the Risk Profile measured by Non-Performing Loans (NPL) and Loan to Deposit Ratio (LDR), Earnings are measured by Return on Assets (ROA) and Capital measured with Capital Adequacy Ratio (CAR) to changes in earnings. The population in the study included 28 banking companies listed on the Indonesia Stock Exchange 2013-2015. The sampling technique used was purposive sampling and obtained as many as 12 samples company. The data used in this study is secondary data namely financial statements that meet the criteria. Data were taken from the report finance obtained from Bank Indonesia which can be accessed through www.idx.co.id. Data analysis used multiple linear regression analysis. The results showed that there were variables that had an effect on profit changes are ROA variables while NPL, LDR, and CAR variables doesn't have effect on changes in earnings.*

Keywords: *Changes in earnings, Non-performing Loan, Loan to Deposit Ratio, Return on Asset, Capital Adequacy Ratio*

INTRODUCTION

Banks in the world have a strategic role in driving and boosting a country's economy (Javaid, 2011: 60). The strategic position held by each bank in the country's economy makes every existing bank needs to improve its financial performance. When the bank's condition deteriorates, many parties will be disadvantaged because, as the researchers described previously, banks play a strategic role in a country's economy. Bank Indonesia itself realizes that banking in Indonesia is developing rapidly and very dynamically. Therefore, banks must be supported by efforts to continuously improve their financial performance (Nurastuti, 2011: 3).

Continuous improvement in the bank's financial performance aims to achieve work performance. One measure that can be used to show that a company has made its achievements is to look at changes in profits shown in the company's financial statements (Nurastuti, 2011: 4). For investors, in assessing the performance of a bank does not see bank profits in one period but see changes in earnings from year to year. The profit is used as a basis for investment decision making and predictions to predict future earnings changes. Investors expect the funds invested in the company will get a high rate of return so that the profits obtained will be high too. Earnings received by the company for the coming year cannot be ascertained, so it is necessary to predict a change in earnings. Changes in profits will affect the investment decisions of investors and potential investors who will invest their capital in the company.

The number of banks experiencing negative earnings changes from 2012 to 2014 continued to increase (Table 1) from 5 banks to 14 banks, and in 2015 it was reduced to 9 banks. The negative earnings will be unfortunate if the companies leave it continuously. Investors can lose confidence in the banking company that is experiencing this decline. The bank must

immediately make improvements in its performance so that this negative change in profits does not end in a loss.

Table 1. Changes in Bank Profit for 2012-2015

No.	Nama Bank	Perubahan Laba (%)			
		2012	2013	2014	2015
1.	Bank Artha Graha Internasional	32,78	67,08	-53,98	-27,08
2.	Bank Bukopin	11,74	10,54	-24,55	36,03
3.	Bank Bumi Arta	33,99	-1,61	-7,78	9,88
4.	Bank Capital Indonesia	-27,32	32,28	5,04	23,44
5.	Bank Central Asia	10,48	9,29	25,84	8,11
6.	Bank CIMB Niaga	32,06	-24,49	-16,66	-91,40
7.	Bank Danamon Indonesia	22,73	-0,13	-32,27	-8,09
8.	Bank Jabar Banten	23,95	15,34	-19,83	24,14
9.	Bank Mandiri	30,27	10,70	19,37	-4,82
10.	Bank Mayapada Internasional	55,09	37,64	10,80	62,49
11.	Bank Maybank Indonesia	170,19	-27,36	-37,70	55,38
12.	Bank Mega	37,19	-60,43	43,49	490,60
13.	Bank Negara Indonesia	20,22	-13,31	90,82	75,10
14.	Bank Nusantara Parahyangan	25,36	23,18	-8,27	-30,73
15.	Bank OCBC NISP	13,64	27,87	28,24	4,59
16.	Bank Of India Indonesia	14,44	48,44	29,50	-29,04
17.	Bank Pan Indonesia	13,81	0,76	25,11	164,34
18.	Bank Pembangunan Daerah Jatim	-15,76	13,75	13,92	-5,81
19.	Bank Permata	15,45	18,95	1,03	15,06
20.	Bank QNB Indonesia	-577,27	111,35	3.365,87	37,12
21.	Bank Rakyat Indonesia Agro Niaga	-46,15	-26,01	314,91	-16,76
22.	Bank Rakyat Indonesia	22,00	6,73	22,92	1,60
23.	Bank Sinar Mas	105,20	-5,23	-25,81	196,58
24.	Bank Tabungan Negara	32,34	6,28	-22,34	61,62
25.	Bank Tabungan Pensiunan Nasional	41,23	12,79	-16,60	1,83
26.	Bank Victoria Internasional	19,39	-38,44	-24,16	201,47
27.	Bank Windu Kentjana Internasional	161,78	-17,40	137,47	-63,46
28.	Bank Woori Saudara Indonesia	-8,23	121,50	-31,75	86,35

Source: Bank Financial Report (processed)

Many factors influence the changes in earnings themselves. Some factors include Net Profit Margin (NPM), Capital Adequacy Ratio (CAR), Non-Performing Loans (NPL), and Loan to Deposit Ratio (LDR) (Iswatun, 2010; Fathoni et al., 2012; Ariyanti, 2010). Net Profit Margin (NPM) is a ratio used to measure the ability of banks to generate net income before tax in terms of operating income. Capital Adequacy Ratio (CAR) is a ratio used to measure the adequacy of capital owned by banks to support assets that contain or generate risk. Non-Performing Loans (NPLs) are useful ratios to show the ability of bank management in managing non-performing loans provided by banks. Loan to Deposit Ratio (LDR) is a ratio that is useful to illustrate how far the bank's ability to repay funds withdrawals by depositors by relying on loans provided as a source of liquidity.

In this study, researchers only focus on three factors. First is the Risk Profile with the assessment parameters used are non-performing loans to total loans (NPL) and total loans to third party funds (LDR). The second is Earnings with the valuation parameters used are Return on Assets (ROA). The third is the Capital, with the valuation parameter used is the capital adequacy ratio (CAR). The objective of this research is to prove the effect of Risk Profile measured by Non-Performing Loans (NPLs), Loan to Deposit Ratio (LDR), Earnings as

measured by Return on Assets (ROA) and Capital as measured by Capital Adequacy Ratio (CAR) on Changes in Profit.

LITERATURE REVIEW

According to Harahap (2011: 113), Profit is excess income above costs during one accounting period. According to Suwardjono (2011: 315), Profit is a reward for the company's efforts to produce goods and services. The notion of profit adopted by the current accounting structure is the difference between the measurement of income and costs. A positive change in earnings is something that is expected by the owners and investors of the company. Changes in profits are changes in the percentage increase/decrease in profits obtained by the company. Therefore, banking companies must work their best in maintaining or even increasing their earnings. Banks that experience earnings growth indicate that the bank is in good health. Changes in earnings are assessed by reducing the current year's earnings by the previous year's earnings then divided by the last year's earnings.

NPL is a ratio of problem loans. NPL is calculated based on a comparison between the number of problem loans compared to the total borrowings (SE BI No 13/24/DPNP, 2011). The higher this ratio, the worse the quality of bank credit which causes a higher number of problem loans. Conversely the lower this ratio, the smaller the credit risk borne by the bank. For the bank's value to this ratio to be good, Bank Indonesia set NPL ratio criteria below 5% (PBI No. 17/11/PBI, 2015). Based on previous research conducted by Fathoni (2012), the NPL ratio has a significant effect on earnings changes. Based on the description above, a hypothesis can be made as follows:

H1: The credit risk of risk profile affects changes in earnings.

LDR is a ratio to assess the liquidity of a bank by dividing the amount of credit provided by banks against third party funds. Liquidity is the company's ability to fulfil all its obligations without endangering financial conditions (David, 2011: 28). The higher this ratio, the lower the liquidity capacity of the bank concerned, so that the possibility of a bank in a problematic condition will be even higher (SE BI No. 13/24 / DPNP, 2011).

The amount of LDR is considered to meet the requirements if the amount of LDR is between 80% to 94% (PBI No. 18/14 / PBI, 2016) LDR that is below the target can be said that the bank maintains excessive liquid assets and this will cause pressure on income banks in the form of high maintenance costs for unemployed cash. The higher the LDR, the profit earned by the bank will increase with the assumption that the bank can channel credit effectively so that it is expected that the amount of bad loans is low. Based on previous research conducted by Ariyanti (2010), the LDR ratio has a significant effect on earnings changes. Based on this description, the following hypotheses can be made:

H2: The liquidity risk of risk profile affects changes in earnings.

ROA is the ability of capital invested in all company assets to generate profits. ROA uses earnings as a way to assess effectiveness in the use of company assets in generating profits. The greater the ROA, the higher the level of profit achieved by the bank, the higher the rate of positive profit changes. So that the possibility of a bank in a problematic condition is less. Therefore, company performance may also increase (SE BI No. 13/24 / DPNP, 2011). Based on previous research conducted by Fathoni (2012), the ROA ratio has a significant effect on earnings changes. Based on the description above, a hypothesis can be made as follows:

H3: Profitability affects changes in earnings.

Capital Adequacy Ratio (CAR), is a ratio that shows how much the total assets of banks that carry risks are financed from their capital in addition to funds from sources outside the bank (SE BI No 13/24 / DPNP, 2011). CAR is also an indicator of a bank's ability to cover a decline in assets as a result of losses caused by risky assets with the adequacy of capital it has, in other words, the smaller the risk, the more profit is gained, so the higher the CAR achieved by the bank shows the bank's performance is getting better, and bank profits will increase. Based on previous research conducted by Fathoni (2012) and Aini (2013), CAR ratio has a significant influence on earnings changes. Based on the description above, a hypothesis can be made as follows:

H4: Capital Adequacy Ratio (CAR) affects changes in earnings.

RESEARCH METHODS

Research variables and Measurement

Changer in Earnings

Dependent variable (dependent) is a variable that is affected because of the independent variables (Sugiyono, 2012: 59). The dependent variable that is focused in this study is earnings changes. Change in earnings is a change in percentage increase/decrease in profits obtained by the company (Suwardjono, 2011: 315). Earnings used in this study are earnings after tax (Earnings After Tax), profit growth can be formulated as follows (SE BI No. 13/30/DPNP, 2011):

$$\Delta Y_{it} = \frac{Y_{it} - Y_{it-1}}{Y_{it-1}} \times 100\%$$

Whereas:

ΔY_{it} = change in earnings in period t

Y_{it} = company profit i in period t

Y_{it-1} = company profit i in period t-1

The independent variable is a variable that influences or is the cause of changes or the emergence of the dependent variable (bound) (Sugiyono, 2012: 59). The independent variables referred to in this study are:

Risk Profile

Risk Profile factor evaluation is an assessment of the inherent risk and quality of the application of Risk Management in the Bank's operational activities (SE BI No. 13/24/DPNP, 2011). The risk profile is only focused on two risks in this study, namely:

1) Credit Risk

Credit Risk is the risk due to the failure of the debtor and other parties in fulfilling obligations to the Bank (SE BI No. 13/24/DPNP, 2011). To measure credit risk, researchers use NPLs. This ratio shows the ability of bank management in managing non-performing loans provided by banks. The higher this ratio, the worse the quality of bank credit causes the more significant number of problem loans (SE BI No. 13/30/DPNP, 2011).

$$NPL = \frac{\text{Kredit Bermasalah}}{\text{Total Kredit}} \times 100\%$$

2) Liquidity Risk

Liquidity Risk is the risk due to the inability of the Bank to meet obligations due from cash flow funding sources, and from high-quality liquid assets that can be pledged, without disrupting the activities and financial condition of the Bank (SE BI No. 13/24/DPNP, 2011).

The liquidity ratio that is often used in assessing the performance of a bank is the LDR (Loan to Deposit Ratio). This ratio is to evaluate the liquidity of a bank by dividing the amount of credit provided by banks against third party funds. The higher this ratio, the lower the liquidity capability of the bank concerned, so that the likelihood of a bank in problematic conditions will be even higher (SE BI No. 13/30/DPNP, 2011).

$$\text{LDR} = \frac{\text{Total Kredit}}{\text{Dana Pihak Ketiga}} \times 100\%$$

Profitability

Profitability is a measure of a bank's ability to increase profits, each period or to measure the level of business efficiency and profitability achieved by the bank concerned (Kasmir 2012: 44). Profitability ratios used in this study is Return On Assets (ROA)

$$\text{ROA} = \frac{\text{Laba Sebelum Pajak}}{\text{Rata-Rata Total Aset}} \times 100\%$$

This ratio is used to measure the ability of bank management to obtain overall benefits. The higher the ROA of a bank, the greater the level of bank profit and the better the bank's position in terms of asset use (SE BI No. 13/30 / DPNP, 2011).

Capital

Rating of capital factors (Capital) is the assessment of capital owned by banks based on the bank's minimum capital requirement (Kasmir 2013: 43). The capital ratio used in this study is the Capital Adequacy Ratio (CAR). CAR is the ratio of the minimum capital requirement that must be owned by banks (SE BI No. 13/30 / DPNP, 2011).

$$\text{CAR} = \frac{\text{Modal Bank}}{\text{Aktiva Tertimbang Menurut Risiko}} \times 100\%$$

Population and Sample

The population in this study were all Conventional Banks listed on the Indonesia Stock Exchange period 2012-2015 (28 banks). The technique used in sampling uses a purposive sampling method, the method of determining the sample with specific considerations (Sugiyono, 2012: 126) using the following characteristics:

- a. Banking companies listed on the Indonesia Stock Exchange in the period 2012-2015.
- b. The company issued its financial statements for the period ended December 31, during the observation period.
- c. The data in the study is available and complete.

If in the research process, there are companies whose ratios cannot be calculated, they will be excluded. Based on these characteristics, the sample used was 12 banks.

Hypothesis testing

F-test was conducted to test whether the regression model is fit to explain the influence of independent variables on the dependent variable (Ghozali, 2011: 70). The criteria are as follows:
H₀: NPL, LDR, ROA, and CAR do not affect earnings changes.

H_a: NPL, LDR, ROA, and CAR affect the changes in earnings.

The hypothesis test decision making is based on the significant value obtained from the results of data processing through the SPSS program as follows:

- 1) If the significance is <0.05, then H₀ is rejected, and H_a is accepted.
- 2) If the significance is > 0.05, then H₀ is accepted, and H_a is rejected.

The coefficient of determination (R^2) is principally intended to measure how far the ability of the model in explaining the variation of the dependent variable. The coefficient of determination (R^2) is between 0 (zero) and 1 (one), where the value of R^2 is small or close to 0 (zero) means the ability of independent variables in explaining the variation of the dependent variable is minimal, but if the value of R^2 is considerable or near 1 (one) means that the independent variables provide almost all the information needed to predict the variation of the dependent variable (Ghozali, 2011: 97). According to Gujarati (2010: 262), the coefficient of determination (R^2) that should be used is the adjusted determination coefficient (Adjusted R Square) rather than using R^2 because R^2 tends to give an overly optimistic picture of the suitability of the regression model.

The T-test is used to test the effect of independent variables on the dependent variable (Ghozali, 2011: 84), namely the impact of each independent variable consisting of risk profile, earnings, and capital on the dependent variable (growth), namely increase corporate profits. Testing of the regression results is done using t-tests at a 95% confidence level or $\alpha = 5\%$. Partial hypothesis test decision making is based on the significance-value obtained from the data processing through the SPSS program as follows:

- 1) If the significance is ≤ 0.05 , then H_0 is rejected, and H_a is accepted.
- 2) If the significance is > 0.05 , then H_0 is accepted, and H_a is rejected

RESULTS AND DISCUSSION

Statistic Descriptive

Earning Changes (Y) of Banking Companies on the IDX

Changes in earnings are changes in the percentage increase/decrease in profits obtained by the company. Earnings used are earnings after tax (Earnings After Tax). Based on the results of research conducted by researchers during the study period, the results obtained in Table 2.

Table 2. Earnings Changes in Banking Profit 2012-2015

No.	Kode Bank	Perubahan Laba			
		2012	2013	2014	2015
1.	BBKP	11,74%	10,54%	-24,55%	36,03%
2.	BNBA	33,99%	-1,61%	-7,78%	9,88%
3.	BNGA	32,06%	-24,49%	-16,66%	-91,40%
4.	BMRI	30,27%	10,70%	19,37%	-4,82%
5.	BBNI	20,22%	-13,31%	90,82%	75,10%
6.	BBNP	25,36%	23,18%	-8,27%	-30,73%
7.	NISP	13,64%	27,87%	28,24%	4,59%
8.	BJTM	-15,76%	13,75%	13,92%	-5,81%
9.	BNLI	15,45%	18,95%	1,03%	15,06%
10.	BTPN	41,23%	12,79%	-16,60%	1,83%
11.	BVIC	19,39%	-38,44%	-24,16%	201,47%
12.	SDRA	-8,23%	121,50%	-31,75%	86,35%
	RATA-RATA	18,28%	13,45%	1,97%	24,80%

Source: Data processed

Based on table 2, it can be seen that in 2012, the average change in banking profit in Indonesia was 18.28%. Differences in earnings with the highest position owned by the National Pension Savings Bank Tbk by 41.23% and the lowest position held by the Regional Development Bank of East Java Tbk by -15.76%. In 2013, the average change in banking profits in Indonesia was 13.45%. Bank Woori Saudara Indonesia Tbk owned the difference in profit with the highest

position by 121.50%, and Bank Victoria International Tbk held the lowest rank by -38.44%. In 2014, the average change in banking profits in Indonesia was 1.97%. Differences in earnings with the highest position are owned by Bank Negara Indonesia (Persero) Tbk by 90.82% and Bank Woori Saudara Indonesia Tbk by -31.75%. In the 2015 period, the average change in banking profits in Indonesia was 24.80%. Bank Victoria International Tbk owned the difference in profit with the highest position by 201.47%, and Bank CIMB Niaga Tbk held the lowest rank by -91.40%. Besides, the average change in banking profit in Indonesia in 2015 was based on a sample used, which is equal to 24.80% is due to the existence of vastly different data that is the change in profit of Bank Victoria International Tbk amounted to 201.47% and if the data is removed, then the average change in bank profits in Indonesia becomes 8.01%. If seen as a whole, the average difference in earnings from 2012 to 2015 tends to decrease, and that is not good.

Credit Risk – NPL (X1) of Banking Companies on the IDX

This ratio shows the ability of bank management in managing non-performing loans provided by banks. The higher this ratio, the worse the quality of bank credit causes a higher number of problem loans (SE BI No. 13/30 / DPNP, 2011). Bank Indonesia has set NPL ratio criteria below 5%. Based on the results of research conducted by researchers during the study period, the results obtained in Table 3.

Table 3. Credit Risk – NPL of Banking Companies 2012-2015

No.	Kode Bank	NPL			
		2012	2013	2014	2015
1.	BBKP	2,66%	2,25%	2,78%	2,83%
2.	BNBA	0,63%	0,21%	0,25%	0,78%
3.	BNGA	2,29%	2,23%	3,9%	3,74%
4.	BMRI	1,74%	1,6%	1,66%	2,29%
5.	BBNI	2,8%	2,2%	2%	2,7%
6.	BBNP	0,97%	0,91%	1,86%	4,74%
7.	NISP	0,91%	0,73%	1,34%	1,3%
8.	BJTM	2,95%	3,44%	3,31%	4,29%
9.	BNLI	1,37%	1,%	1,7%	2,7%
10.	BTPN	0,6%	0,7%	0,7%	0,7%
11.	BVIC	2,24%	0,7%	3,52%	4,48%
12.	SDRA	0,65%	0,48%	2,51%	1,98%
	RATA-RATA	1,65%	1,37%	2,13%	2,71%

Source: Data processed

Based on table 3, it can be seen that in 2012, the average NPL ratio of banks in Indonesia was 1.65%. The NPL ratio with the highest position is owned by the East Java Regional Development Bank of 2.95%, and the lowest rank is owned by the National Pension Savings Bank of 0.6%. In 2013, the average NPL ratio of banks in Indonesia was 1.37%. The NPL ratio with the highest position is owned by the Regional Development Bank of East Java Tbk by 3.44%, and Bank Bumi Arta Tbk holds the lowest rank by 0.21%. In 2014, the average NPL ratio of banks in Indonesia was 2.13%. Bank CIMB Niaga Tbk owns the NPL ratio with the highest position by 3.9%, and Bank Bumi Arta Tbk holds the lowest rank by 0.25%. In 2015, the average banking NPL ratio in Indonesia was 2.71%. Bank Nusantara Parahyangan Tbk owns the NPL ratio with the highest position by 4.74%, and the National Pension Savings Bank holds the lowest rank by 0.7%. When viewed as a whole, the NPL ratio of banks in Indonesia tends to increase but is still below 5% following Bank Indonesia regulations.

Liquidity Risk – LDR (X2) of Banking Companies on the IDX

This ratio serves to show the value of a bank's liquidity. The amount of LDR is considered to meet the requirements if the amount of LDR is between 80% to 94% (PBI No. 18/14/PBI, 2016). LDR, which is below the target, can be said that banks maintain excessive liquid assets, and this will cause pressure on bank revenues in the form of high costs of maintaining idle cash. The higher the LDR, the profit earned by the bank will increase with the assumption that the bank can channel credit effectively so that it is expected that the amount of bad loans is low. Based on the results of research conducted by researchers during the study period, the results obtained in table 4.

Table 4. Liquidity Risk – LDR (X3) of the Banking Companies 2012-2015

No.	Kode Bank	LDR			
		2012	2013	2014	2015
1.	BBKP	83,81%	85,8%	83,89%	86,34%
2.	BNBA	77,95%	83,96%	79,45%	82,78%
3.	BNGA	95,04%	94,49%	99,46%	97,98%
4.	BMRI	77,66%	82,97%	82,02%	87,05%
5.	BBNI	77,5%	85,3%	87,8%	87,8%
6.	BBNP	84,94%	84,44%	85,19%	90,17%
7.	NISP	86,79%	92,49%	93,59%	98,05%
8.	BJTM	83,55%	84,98%	86,54%	82,92%
9.	BNLI	89,52%	89,2%	89,1%	87,8%
10.	BTPN	86%	88%	97%	97%
11.	BVIC	67,59%	73,39%	70,25%	70,17%
12.	SDRA	118,1%	140,72%	101,2%	97,22%

Source: Data processed

Based on table 4, it can be seen that in 2012, the average LDR ratio of banks in Indonesia was 85.70%. The LDR ratio with the highest position owned by Bank Woori Saudara Indonesia Tbk was 118.1%, and Bank Victoria International Tbk held the lowest rank by 67.59%. In 2013, the average banking LDR ratio in Indonesia was 90.48%. LDR ratio with the highest position owned by Bank Woori Saudara Indonesia Tbk amounted to 140.72% and the lowest position held by Bank Victoria International Tbk amounted to 73.39%. In 2014, the average banking LDR ratio in Indonesia was 87.96%. Bank Woori Saudara Indonesia Tbk owns the LDR ratio with the highest position by 101.2%, and Bank Victoria International Tbk holds the lowest rank by 70.25%. In 2015, the average banking LDR ratio in Indonesia was 88.77%. The LDR ratio with the highest position owned by Bank OCBC NISP Tbk was 98.05%, and Bank Victoria International Tbk held the lowest rank by 70.17%. If seen as a whole, the average banking LDR ratio in Indonesia from 2012 to 2015 is said to be healthy because it is above 80% and below 94%, following Bank Indonesia Regulation Number 18/14/PBI/2016.

Profitability – ROA (X3) of Banking Companies on the IDX

This ratio serves to measure the ability of bank management to obtain overall benefits. The higher the ROA of a bank, the greater the bank's profitability and the better the bank's position in terms of the asset used. Based on the results of research conducted by researchers during the study period, the results obtained in table 5.

Based on table 5, it can be seen that in 2012, the average banking ROA ratio in Indonesia was 2.73%. Bank Woori Saudara Indonesia Tbk owns the ROA ratio with the highest position by 3.57%, and Bank Permata Tbk holds the lowest rank by 1.7%. In 2013, the average banking ROA ratio in Indonesia was 2.84%. Bank Woori Saudara Indonesia Tbk owns the ROA ratio with the highest position at 5.14%, and Bank Nusantara Parahyangan Tbk holds the lowest position at

1.58%. In 2014, the average banking ROA ratio in Indonesia was 2.19%. The National Pension Savings Bank Tbk owns the ROA ratio with the highest position at 3.6%, and Bank Victoria International Tbk holds the lowest position at 0.8%. In 2015, the average banking ROA ratio in Indonesia was 1.66%. The ROA ratio with the highest rank is owned by Bank Mandiri (Persero) Tbk by 3.15%, and Bank Permata Tbk holds the lowest position by 0.2%. If seen as a whole, the average ROA ratio of banks in Indonesia is quite good. Besides, the average ROA ratio in 2013 of 2.84% is the best because the higher the ROA ratio, the greater the bank's profitability and the better the bank's position in terms of asset use.

Table 5. Profitability – ROA (X3) of Banking Companies 2012-2015

No.	Kode Bank	ROA			
		2012	2013	2014	2015
1.	BBKP	1,83%	1,78%	1,23%	1,39%
2.	BNBA	2,47%	2,05%	1,52%	1,33%
3.	BNGA	3,18%	2,76%	1,44%	0,24%
4.	BMRI	3,55%	3,66%	3,57%	3,15%
5.	BBNI	2,9%	3,4%	3,5%	2,6%
6.	BBNP	1,57%	1,58%	1,32%	0,99%
7.	NISP	1,79%	1,81%	1,79%	1,68%
8.	BJTM	3,34%	3,82%	3,52%	2,67%
9.	BNLI	1,7%	1,6%	1,2%	0,2%
10.	BTPN	4,7%	4,5%	3,6%	3,1%
11.	BVIC	2,17%	1,97%	0,8%	0,65%
12.	SDRA	3,57%	5,14%	2,81%	1,94%
	RATA-RATA	2,73%	2,84%	2,19%	1,66%

Source: Data processed

Capital – CAR (X4) of Banking Companies on the IDX

CAR ratio is an evaluation of the adequacy of capital and the adequacy of capital management. The lowest minimum capital provision set by Bank Indonesia is 8% (PBI No 15/12/PBI, 2013). Based on the results of research conducted by researchers during the study period, the results obtained in table 6.

Table 6. Capital – CAR (X4) of Banking Companies 2012-2015

No.	Kode Bank	CAR			
		2012	2013	2014	2015
1.	BBKP	16,34%	15,1%	14,2%	13,56%
2.	BNBA	19,18%	16,99%	15,07%	25,57%
3.	BNGA	15,16%	15,36%	15,58%	16,28%
4.	BMRI	15,48%	14,93%	16,6%	18,6%
5.	BBNI	16,7%	15,1%	16,2%	19,5%
6.	BBNP	12,17%	15,75%	16,55%	18,07%
7.	NISP	16,49%	19,28%	18,74%	17,32%
8.	BJTM	26,56%	23,72%	22,17%	21,22%
9.	BNLI	15,86%	14,3%	13,6%	15%
10.	BTPN	21,5%	23,1%	23,2%	23,8%
11.	BVIC	17,96%	17,95%	18,35%	19,3%
12.	SDRA	42,52%	27,91%	21,71%	18,82%
	RATA-RATA	19,66%	18,29%	17,66%	18,92%

Source: Data processed

Based on table 6, it can be seen that in 2012, the average banking CAR ratio in Indonesia was 19.66%. Bank Woori Saudara Indonesia Tbk owns the CAR with the highest position by 42.52%, and Bank Nusantara Parahyangan Tbk holds the lowest rank by 12.17%. In 2013, the average banking CAR ratio in Indonesia was 18.29%. Bank Woori Saudara Indonesia Tbk owns

CAR ratio with the highest position by 27.91%, and Bank Permata Tbk holds the lowest rank by 14.3%. In 2014, the average banking CAR ratio in Indonesia was 17.66%. CAR ratio with the highest position is owned by the East Java Regional Development Bank of 22.17%, and Bank Permata Tbk holds the lowest rank by 13.6%. In 2015, the average banking CAR ratio in Indonesia was 18.92%. The CAR with the highest position is owned by Bank Bumi Arta Tbk of 25.57%, and Bank Bukopin Tbk of 13.56% holds the lowest position. When viewed as a whole, the average banking CAR ratio in Indonesia is still quite useful because it is above the lowest limit set by Bank Indonesia, which is 8% (PBI No 15/12/PBI, 2013).

Hypothesis Testing

Regression Analysis

This study uses multiple linear regression analysis to test the hypothesis, which is to determine the effect of independent variables, namely Non-Performing Loans, Loan to Deposit Ratio, Return On Assets, Operational Expenses Against Operational Income, and Capital Adequacy Ratio. Data processing was performed using SPSS 22.0 for Windows. The results obtained will then be tested for the significance of the model simultaneously and partially. The regression coefficient is seen from the value of the unstandardized coefficient because all independent and dependent variables have the same measurement scale, namely the ratio.

Table 7. Results of Multiple Linear Regression Analysis

Model	Unstandardized Coefficients	
	B	Std. Error
(constant)	-34,840	38,544
NPL (X ₁)	-6,524	4,218
LDR (X ₂)	0,739	0,465
ROA (X ₃)	12,902	4,730
CAR (X ₄)	-2,064	1,150

Source: Data processed

Based on the results of the multiple linear regression analysis in the table, we can get the following regression equation model:

$$Y = -34,840 - 6,524X_1 + 0,739X_2 + 12,902X_3 - 2,064X_4 \dots\dots\dots 1$$

F-test

F-test was conducted to test whether all independent variables observed had a significant effect on the dependent variable.

Table 8. Test Results F

Variabel	F	Sig	Keterangan
NPL (X ₁)	3,935	0,008	Signifikan
LDR (X ₂)			
ROA (X ₃)			
CAR (X ₄)			

Source: Data processed

Based on the F-test results in table 8, it is known that the calculated F value of 3.935 and with a significance of 0.008 is smaller than 0.05, which means that the NPL, LDR, ROA, and CAR variables simultaneously influence the Profit Change.

The coefficient of determination (R²)

The magnitude of the adjusted determination coefficient (Adjusted R Square) is 0.203. The R² shows that the independent variables namely NPL, LDR, ROA, and CAR can explain 20.3% of the variations that occur in changes in earnings, while other variables outside this study explain other differences of 79.7%.

t-Test

Based on the results of the t-test in table 9, it can be explained that the effect of Non-Performing Loans (X1) partially on the Change in Profit (Y) obtained t value of -1.546 with a significance value of 0.129. Significance value is higher than 0.05, then HO is accepted, and Ha is rejected, so it can be concluded that the Non-Performing Loan variable does not affect the Change in Earnings. The influence of Loan to Deposit Ratio (X2) on Changes in Profit (Y) obtained t value of 1.591 with a significance value of 0.119. Significance value is higher than 0.05, then HO is accepted, and Ha is rejected, so it can be concluded that the Loan to Deposit Ratio variable influences the Profit Change. The effect of Return on Assets (X3) on Profit Change (Y) obtained t value of 2.728 with a significance value of 0.009. Significance value is smaller than 0.05, then Ho is rejected, and Ha is accepted, so it can be concluded that the Return on Assets variable influences Earnings Change. The effect of Capital Adequacy Ratio (X4) on the Change in Profit (Y) obtained t value of -1.795 with a significance value of 0.080. Significance value is higher than 0.05, then HO is accepted, and Ha is rejected, so it can be concluded that the Capital Adequacy Ratio variable does not affect the Change in Earnings.

Table 9. Test Results t

Variables	Unstandardized Coefficients B	t value	Sig	Decision
NPL (X1)	-6.524	-1.546	0.129	H1 rejected
LDR (X2)	0.739	1.591	0.119	H2 rejected
ROA (X3)	12.902	2.728	0.009	H3 accepted
CAR (X4)	-2.064	-1.795	0.080	H4 rejected

Source: Data processed

Discussion

The credit risk of risk profile affects changes in earnings.

Non-Performing Loans (NPLs) are non-performing loans ratios. Based on the results of hypothesis testing conducted, it can be seen that the hypothesis which states that the Non-Performing Loan affects the changes in earnings is not tested. The NPL is indicated by the t value of -1.546 with a significance value of 0.129 greater than 0.05. Bank Indonesia has set NPL ratio criteria below 5%. In 2012 to 2015, the average NPL ratio of banks in Indonesia was no more than 5% (PBI No. 17/11 / PBI, 2015). These conditions indicate that bad banking loans in Indonesia are still in a low position. With the status of bad loans being small, the NPL ratio does not affect changes in earnings. The results of this study are in line with previous studies conducted by Khasanah (2010), Aini (2013) and Lesamana (2015). They also get the same result; that is, the NPL ratio does not affect the Profit Change.

The liquidity risk of risk profile affects changes in earnings.

Loan to Deposit Ratio (LDR) is a ratio to assess the liquidity of a bank by dividing the amount of credit provided by banks against third party funds. Liquidity management is essential (Ibe, 2013: 37) Based on the results of testing the hypothesis, it can be seen that the hypothesis stating that the Loan to Deposit Ratio affects the changes in earnings is not verified. The credit risk is indicated by the t value of 1.591 with a significance value of 0.119 greater than 0.05. Bank Indonesia has made a regulation, LDR is considered to meet requirements if the amount of LDR is between 80%

to 94% (PBI No. 18/14 / PBI, 2016). In 2012 to 2015, the average banking LDR ratio in Indonesia was always between 80% and 94%. This condition indicates that banks in Indonesia maintain proper liquid instruments and use them appropriately. With such terms, LDR does not affect Changes in Profit. The results of this study are in line with previous studies conducted by Khasanah (2010), Fathoni (2012), Aini (2013), and Lesamana (2015) namely that the LDR ratio affects the Profit Change.

The profitability affects changes in earnings.

Return on Assets (ROA) is the ability of capital invested in all company assets to generate profits. Based on the results of testing the hypothesis, it can be seen that the hypothesis stating that Return on Assets affects changes in earnings has been verified. The effect is indicated by the calculated t value of 2.728 with a significance value of 0.009 smaller than 0.05. ROA ratio is calculated by dividing profit before tax by the average total assets. Therefore, the ROA ratio affects the Change in Earnings. The result shows that ROA is genuinely the right indicator to interpret changes in future earnings because ROA is determined with earnings before tax in its calculations. With the high ROA, the effectiveness of a bank in using assets to generate profits is also increasing. The results of this study are in line with previous studies conducted by Fathoni (2012) and Lesamana (2015). They also get the same results; namely, the ROA ratio affects the Change in Profit.

The Capital affects changes in earnings.

Capital Adequacy Ratio (CAR), is a ratio that shows how much the total assets of banks that carry risks are financed from their capital in addition to funds from sources outside the bank. Based on the results of hypothesis testing conducted, it can be seen that the hypothesis stating that CAR affects the changes in earnings is not tested. The effect is because the t value of -1.795 with a significance value of 0.080 is higher than 0.05. In 2012 to 2015, the average banking CAR ratio in Indonesia was quite good because it was above the low limit set by Bank Indonesia, namely 8%, 9%, 10%, and 11% (PBI No.15/12/PBI, 2013). This condition indicates that banks in Indonesia can cover the decline in assets as a result of losses caused by risky assets with the adequacy of the capital they have. Under these conditions, the CAR ratio does not affect changes in earnings. The results of this study are in line with previous studies conducted by Khasanah (2010), Ariyanti (2010), and Lesamana (2015). They also get the same results; namely, the CAR ratio does not affect Changes in Earnings.

These four variables explain 20.3% of the variation that occurs in earnings changes, while other variables outside this study demonstrate the different 79.7% variation. This phenomenon occurs because changes in earnings are not only influenced by NPL, LDR, ROA, and CAR but also other factors such as Net Profit Margin (NPM), Net Interest Margin (NIM), and Earning Assets Quality (KAP). Under these conditions, bank management and investors should further broaden their attention to factors outside this study, including external factors outside the company that are thought to influence earnings changes (Gul, 2011: 82). Besides, investors who intend to invest their capital in the Indonesia Stock Exchange sub-sector of the banking sector should pay more attention to the information contained in the Annual Report, especially regarding LDR and ROA information, so that investors have consideration to predict changes in banking profits and can more careful in investing their capital.

CONCLUSION

The results of this study demonstrated that only Earnings as measured by Return on Assets (ROA) affects Banking Income Changes listed in Indonesia Stock Exchange in 2012-2015. Risk

Profile measured by Non-Performing Loan (NPL), Risk Profile measured by Loan to Deposit Ratio (LDR), and Capital measured by Capital Adequacy Ratio (CAR) does not affect Changes in Banking Profits listed on the Indonesia Stock Exchange in 2012 -2015. This result implies that bank management can determine better policies in the use of third-party funds for lending (LDR) and use of assets for profit increase (ROA) because the results of this study indicate that Risk Profile is measured by LDR and Earnings ratios measured by ROA ratio affects the changes in banking profits listed on the Indonesia Stock Exchange. Also, bank management can be better prepared to face and anticipate problems that hinder or even decrease profits. Moreover, bank management can increase its profit changes, so that more investors will invest in the Indonesia Stock Exchange in the banking subsector. If banks in Indonesia can run healthily and profitably, they will be able to withstand adverse shocks and contribute to the stability of the financial system in Indonesia (Olweny, 2011: 1).

From the research results obtained, there are several limitations. This research itself is still quite short, namely in 2012 to 2015, so the number of samples used is still minimal. Moreover, the financial data obtained by researchers are not all complete and sustainable even though they come from audited annual financial statements. For further researchers who will examine the same thing, the factors related to changes in banking profits, it would be better to explore not only banking companies listed on the Indonesia Stock Exchange but also banking companies that are not listed on the Indonesia Stock Exchange. Then, the next researcher is also expected to add other variables outside this study that might affect earnings changes. Besides, widening the research period will also produce much better research.

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