THE EFFECT OF CAPITAL ADEQUACY RATIO (CAR), OPERATIONAL COSTS ON OPERATIONAL INCOME (OCOI), NON PERFORMING LOAN (NPL), LOAN TO DEPOSIT RATIO (LDR), AND BANK SIZE ON BANKING PROFITABILITY IN INDONESIAN STOCK EXCHANGE IN 2014-2018

PENGARUH CAPITAL ADEQUACY RATIO (CAR) , BIAYA OPERASIONAL PADA PENDAPATAN OPERASIONAL (BOPO), NON PERFORMING LOAN (NPL), LOAN TO DEPOSIT RATIO (LDR), DAN BANK SIZE TERHADAP PROFITABILITAS PERBANKAN DI BURSA EFEK INDONESIA TAHUN 2014-2018

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Abstract: The Effect of Capital Adequacy Ratio (CAR), Operational Costs on Operational Income (OCOI), Non Performing Loan (NPL), Loan to Deposit Ratio (LDR), and Bank Size on Banking Profitability in Indonesian Stock Exchange in 2014-2018. This study aims to determine the effect of the variable Capital Adequacy Ratio (CAR), Operational Costs on Operational Income (OCOI), Non Performing Loan (NPL), Loan to Deposit Ratio (LDR), and Bank Size on Banking Profitability. The study was conducted by taking secondary data through the Indonesia Stock Exchange. The sampling technique in this study was purposive sampling technique and obtained a sample of 27 banks. The result showed that: (1) CAR had a positive and significant effect on ROA, (2) OCOI has a negative and significant effect on ROA, (3) NPL has no negative effect and is not significant on ROA, (4) LDR does not have a positive and significant effect on ROA, (5) Size has a positive and significant effect on ROA, (6) CAR, OCOI, NPL, LDR and Size together affect on ROA.

Keywords: Capital Adequacy Ratio (CAR), Operational Costs on Operational Income (OCOI), Non Performing Loan (NPL), Loan to Deposit Ratio (LDR), Size, Profitability.

Abstrak: Pengaruh Capital Adequacy Ratio (CAR) , Biaya Operasional Pada Pendapatan Operasional (BOPO), Non Performing Loan (NPL), Loan to Deposit Ratio (LDR), dan Bank Size Terhadap Profitabilitas Perbankan di Bursa Efek Indonesia Tahun 2014-2018. *Penelitian ini bertujuan untuk mengetahui pengaruh variabel Capital Adequacy Ratio (CAR), Biaya Operasional pada Pendapatan Operasional (BOPO), Non Performing Loan (NPL), Loan to Deposit Ratio (LDR), dan Bank Size Terhadap Profitabilitas Perbankan. Penelitian dilakukan dengan mengambil data sekunder melalui Bursa Efek Indonesia. Teknik pengambilan sampel dalam penelitian ini adalah teknik purposive sampling dan didapatkan sampel sebanyak 27 bank. Hasil penelitian menunjukkan bahwa: (1) CAR berpengaruh positif dan signifikan terhadap ROA, (2) BOPO berpengaruh negatif dan signifikan terhadap ROA, (3) NPL tidak berpengaruh negatif dan tidak signifikan terhadap ROA, (4) LDR tidak berpengaruh positif dan tidak signifikan terhadap ROA, (5) Size berpengaruh positif dan signifikan terhadap ROA, (6) CAR, BOPO, NPL, LDR dan Size berpengaruh secara simultan terhadap ROA.*

Kata Kunci: *Capital Adequacy Ratio (CAR), Biaya Operasional pada Pendapatan Operasional (BOPO), Non Performing Loan (NPL), Loan to Deposit Ratio, Size, Profitability.*

INTRODUCTION

Banking is a financial institution that has quite an important role in the Indonesian financial system, where almost the majority of people involve banking sector services. The main function of banks in general is to collect funds from the public and channel them back to the public for various purposes or as financial intermediaries.

According to RI Act Number 10 of 1998 concerning banking, banks are business entities that collect funds from the public in the form of deposits and distribute them to the public in the form of credit and or other forms in order to improve the lives of many people. In its business, banking has three activities, namely raising funds, channeling funds, and providing other bank services. The activities of collecting and distributing funds are the main activities, while the other activities are supporting services that function to support the main activities. The level of health of banks must be maintained because banks are industries that in the process of activities rely on public trust (Merkusiwati, 2007).

The economic crisis that occurred in 1997 began with a monetary crisis in which the exchange rate of the rupiah against the US dollar had destroyed the joints of the economy including banking. As a result, many paralyzed banks were hit with bad credit. This resulted in around 16 national private banks being liquidated. In 1998, 10 banks were taken over by the Indonesian Bank Restructuring Agency (IBRA), following 4 other private banks that had taken over previously. As a result, the number of banks at the end of 1997 decreased to 222 units and at the end of 1998 it dropped again to 208 units (Statistics Indonesia, 1998).

A bank can be said to be healthy or not judged by the bank's profitability performance. Performance is an important thing that must be achieved by every company, because performance is a reflection of the company's ability to manage and allocate its resources. Bank financial performance can be evaluated with profitability. Generally bank sustainability depends on bank performance and profitability. According to Ongore & Kusa (2013) this happens because banks must generate the income needed to cover their operational costs incurred in the process of banking activities.

According to Sumatra and Yogiyanto (2000), to assess banking performance, five aspects of evaluation are generally used, namely CAMEL (Capital, Assets Quality, Management, Earnings and Liquidity). To get an appraiser from CAMEL aspects (Capital, Assets, Management, Earning, Liquidity), financial statements are used as a basis for valuation.

Bank performance can be evaluated by profitability which is generally the continuation of a bank can be measured by the high or low profitability of the bank. All banks have a goal which is to achieve high profitability. Profitability is an appropriate indicator to measure the performance of a bank (Syofyan, 2002). The profitability measure used is Return On Equity (ROE) for companies in general and Return On Assets (ROA) in the banking industry. Return On Assets (ROA) focus on the company's ability to obtain in the company's operations, while Return On Equity (ROE) only measures that obtained from the investment of the company owner in the business (Mawardi, 2005).

After the economic crisis experienced by Indonesia in 1997 which caused many banks to go bankrupt, as we can see from third party funds (TPF) that the level of public trust in banks from year to year tends to increase. This can be seen from the data of third party funds (TPF) that were successfully obtained by banks and loans that were successfully disbursed in 2014-2018.

Table 1. Data of Third Party Funds and Number of Loans Disbursed by the General Bank recorded on the Indonesia Stock Exchange in 2014-

Year	Third Party Funds	Credit Distribution
2014	4.114.420	3.706.501
2015	4.413.056	4.092.104
2016	4.836.758	4.413.414
2017	5.289.377	4.781.931
2018	5.630.448	5.358.012

Source: Indonesia Banking Statistic 2018 (in billions)

Based on the data above, it can be seen that third-party funds and credit distribution by commercial banks in Indonesia Stock Exchange (IDX) from 2014 to 2018 tended to increase. This indicates that the level of public trust in banks has increased. However, this increase does not mean that banks do not experience problems, given the large role of banks in the economy and the impact if banks fail, so a series of financial analyzes need to be conducted to detect problems in the banking system so that failures that have been experienced in 1997 can be anticipated. The analysis that can be done is to analyze and calculate financial ratios that will later be used as information by internal and external parties to conduct analysis and make decisions. As already state that to analyze banking performance, there are several factors that effect bank performance, namely CAR, NPL, NIM, OCOI, LDR.

Based on explanation above, this study is entitled "Effect of Capital Adequacy Ratio

(CAR), Operational Costs on Operational Income (OCOI), Non Performing Loan (NPL), Loans to Deposit Ratio (LDR), and Bank Size on Banking Profitability in Indonesian Stock Exchange in 2014-2018.

LITERATURE REVIEW

According to Kumbirai and Webb quoted from Hendrawan and Lestari (2016), profitability is one of the measurements for the performance of a bank, the profitability of a bank shows the bank's ability to generate profits for a certain period at a certain level of sales, assets and share capital. The profitability of a company can be assessed in various ways depending on the profits and assets or capital that will be compared with one another.

According to Bank Indonesian, Return On Assets (ROA) is a comparison between profit before tax and the average total assets in a certain period. Return On Assets (ROA) is a ratio used to measure the ability of bank management to obtain profitability and manage the level of efficiency of the overall bank business.

Capital Adequacy Ratio (CAR) is a capital ratio that shows the ability of banks to provide funds for business development needs and to accommodate the possible risk of losses resulting from bank operations. The greater the ratio, the better the capital position (Achmad and Kusumo, 2003). According to Lestari & Yudha quoted from Sangmi & Nazhir (2010), the capital adequacy ratio shows the internal strength of banks to withstand losses during a crisis. The capital adequacy ratio is directly proportional to the bank's resilience to the crisis situation. Capital adequacy has a positive relationship and has a direct effect on bank profitability by determining risky expansions but for banks.

H1: Capital Adequacy Ratio (CAR) has a positive effect on Banking Profitability.

According to (Dendawijaya, 2003) the OCOI ratio is a ratio that shows how much banks can reduce their operational costs, and how much the bank's ability to increase Operational income. OCOI ratio can show how much the bank can make the efficiency of costs incurred so that it has an effect on profitability. OCOI is the ratio between operational costs to operational income. operational costs are costs incurred by the bank in the context of carrying out its main business activities such as interest costs, marketing costs, labor costs and other operational costs. Operational income is the main income of the bank, which is the income obtained from the placement of funds in the form of credit and other operational income (Sari, 2011).

H2: Operational Costs on Operational Income (OCOI) negatively effect on Banking Profitability.

Non Performing Loan are financial ratios that are used as a proxy for the value of a credit risk. This ratio is the ability of management to manage problem loans distributed by banks. According to Siamat (2005), Non Performing Loan (NPL) or commonly referred to as non-performing loans are loans that have difficulty in repayment due to deliberate factors and / or due to external factors beyond the debtor's control ability. NPL reflect credit risk, where the smaller the NPL, the smaller the credit risk borne by the bank. Bank Indonesian stipulations are that banks must maintain their NPL below 5%.

H3: Non Performing Loan (NPL) have a negative effect on Banking Profitability.

Loan to Deposit Ratio (LDR) is how far the bank's ability to repay funds withdrawals by depositors by relying on loans provided as a source of liquidity (Dendawijaya, 2001). Loan to Deposit Ratio (LDR) is the company's financial ratio and as one aspect of liquidity. Loan to Deposit Ratio (LDR) is the ratio between the total amount of credit extended by banks and funds received by banks. LDR is the entire amount of credit given to third party funds. LDR reflects the ratio between financing provided by banks to their customers compared to funds that are entered or collected from the public (Yatiningsih, 2015).

H4: Loan to Deposit Ratio (LDR) has a positive effect on Banking Profitability.

Size is the ratio used to determine the size of wealth owned by a bank. The size of a bank's wealth can be seen from the total assets it has (Ido, 2016). The size of the bank or commonly called the size of the company is a picture that shows the scale of a company. The bigger a company, it reflects that the company has a large fund. In banking companies, large funds will certainly affect the level of credit to be channeled. (Adnan., et al, 2016). According to Lipunga (2014) size has an effect on the profits obtained at a bank, where the greater the size of the bank, the greater the profit obtained. The size of a bank will affect its ability to bear the risks that may arise due to various situations that will be encountered in banking activities.

H5: Size has a positive effect on the Profitability on Banking Profitability.

RESEARCH METHOD

Research Design

This research is causal associative, that is, this study seeks a causal relationship (effect) between the independent variable (X) and the dependent variable (Y).

Research Variable

In this study, the dependent variable is profitability, while the independent variables used are Capital Adequacy Ratio (CAR), Operational Costs on Operational Income (OCOI), Non Performing Loan (NPL), Loan to Deposit Ratio (LDR), and Size.

Place and Time Research

This research was conducted at a Commercial Bank in Indonesian Stock Exchange in 2014-2018. The study was conducted by taking secondary data through the Indonesian Stock Exchange. The time of this research is planned from February to March 2020.

Population and Research Sample

The population of this study is commercial bank in Indonesian Stock Exchange in the 2014-2018 period, which are 44 companies. The sampling technique in this study was purposive sampling technique. Bank samples used in this is commercial bank in Indonesian Stock Exchange for the period 2014-2018 with the following criteria:

1. Commercial bank in Indonesian Stock Exchange during the 2014-2018 research period.
2. Commercial bank, presenting financial statements for five years in a row in the 2014-2018 period.
3. Commercial bank that has a positive ROA for five years in a row in the 2014-2018 period.

Types and Data Collection Techniques

The type of data used is secondary data in the form of financial statements of commercial bank in Indonesian Stock Exchange in 2014-2018. The technique of data collection is done by the documentation method. This method is done by collecting financial report data which is stabilized from the official website of the Indonesian Stock Exchange which can be accessed through www.idx.co.id in ICMD (Indonesiann Capital Market Directory).

Data Analysis Techniques

a. Classical Assumption Test

The classic assumption test is used to test whether the regression model really shows a significant and representative relationship. There are four tests in the classic assumption test are normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test.

b. Multiple Liniear Regression Test

The analysis technique that will be used in this research is multiple linear regression analysis techniques to obtain a comprehensive picture of the relationship between one variable with another variable.

c. Hypothesis Test

The hypothesis to be tested in this study relates to the presence or absence of significant effect from the independent variables (CAR, OCOI, NPL, LDR, and Size) on the dependent variable profitability (ROA) either partially or simultaneously.

RESULT AND DISCUSSION

Research Result

Normality Test Result

Table 2. Normality Test Result

Variable	Sig.	Asym. Sig (2-tailed)
Unstandarized Residual	0,05	0,556

Source: Secondary Data Processed, 2020

Based on the table above, the results of the Kolmogorov-Smirnov normality test indicate that the Asymp value. Sig (2 tailed) 0.556> 0.05 so that it can be concluded that the data are normally distributed.

Table 3. Multicollinearity Test Result

Variable	Tolerance	VIF
CAR (X1)	0,769	1,301
OCOI (X2)	0,606	1,651
NPL (X3)	0,919	1,088
LDR (X4)	0,819	1,221
SIZE (X5)	0,683	1,463

Source: Secondary Data Processed, 2020

Based on the above table, it can be seen that the CAR, OCOI, NPL, LDR and Size variables have tolerance values above 0.1 and VIF less than 10, so it can be concluded that all variables do not occur multicollinearity.

Table 4. Autocorrelation Test Result

Variable	Sig	Asym. Sig (2-tailed)
Unstandarized Residual	0,05	0,529

Source: Secondary Data Processed, 2020

Based on the autocorrelation test results above, it can be seen that the Asymp value. Sig. (2-tailed) is 0.529. The significance value of 0.529 is greater than 0.05 which means that residual data occur randomly and no autocorrelation occurs in the regression model.

Table 5. Heteroscedasticity Test Result

Variable	T	Sig.
CAR (X1)	0,347	0,729
OCOI (X2)	-4,473	0,000
NPL (X3)	1,948	0,054
LDR (X4)	-0,010	0,992
SIZE (X5)	0,090	0,928

Source: Secondary Data Processed, 2020

Based on the heteroscedasticity test results above, it can be seen that all variables of CAR, NPL, LDR and Size have significantly greater than 0.05 so it can be concluded that the four variables do not occur heteroscedasticity, while the OCOI variable significant value of 0.000 is smaller than 0.05 resulting in heteroscedasticity.

Multiple Linear Test Result

Hypothesis testing is done by multivariable regression with the following equation:

$$ROA = \alpha + \beta 1CARt + \beta 2OCOIt + \beta 3NPLt + \beta 4LDRt + \beta 5Size + \epsilon.$$

Hypothesis Test Result

a. T Test Result

Table 6. T Test Result

Variable	T	Sig.
CAR (X1)	3,567	0,001
OCOI (X2)	-7,392	0,000
NPL (X3)	-1,925	0,057
LDR (X4)	1,421	0,158
SIZE (X5)	4,854	0,000

Source: Secondary Data Processed, 2020

1. Capital Adequacy Ratio

   The estimation result of CAR variable is equal to t value of 3.567 with a probability of 0.001. Significance value of 0.001 is less than 0.05 so that the first hypothesis stating that there is a positive effect of the Capital Adequacy Ratio on Profitability, is accepted.

2. Operational Costs on Operational Income

   The estimated OCOI variable value of t is -7,392 with a probability of 0.000. Significance value of 0.000 is smaller than 0.05 so that the second hypothesis stating there is a negative effect of Operational Costs on Operational Income on Profitability, is accepted.

3. Non Performing Loan

   The estimation result of CAR variable is equal to t value of 1.421 with a probability of 0.057. The significance value of 0.057 is greater than 0.05 so that the third hypothesis which states that there is a negative effect of Non Performing Loan on Profitability is rejected.

4. Loan to Deposit Ratio

   The results of the estimation of the LDRvariable of t value of -1.925 with a probability of 0.158. The significance value of 0.158 is greater than 0.05 so the fourth hypothesis which states that there is a positive effect of the Loan to Deposit Ratio on Profitability is rejected.

5. Size

   The estimation result of Size variable is equal to t value of 4.854 with a probability of 0.000. Significance value of 0.000 is smaller than 0.05 so that the fifth hypothesis stating that there is a positive effect of Size on Profitability is accepted.

b. F Test or Simultaneously Test

Table 8. F Test Result

Model	F	Sig.
Regression Residual	44,480	0,000

Source: Secondary Data Processed, 2020

Based on the test results, it can be seen the F-count results of 44.840 with a significance of 0.000 indicating a value smaller than the significance level of 0.05. so it can be concluded that the sixth hypothesis is accepted, where the CAR, OCOI, NPL, LDR and Size together affect the profitability.

Table 9. R^2 Test Result

R	R Square	Adjusted R Square
0,808[a]	0,653	0,639

Source: Secondary Data Processed, 2020

The adjusted R^2 test results in this study obtained a value of 0.639. This shows that profitability is effectd by Capital Adequacy Ratio (CAR), Operational costs on Operational income (OCOI), Non Performing Loan (NPL), Loan to Deposit Ratio (LDR), and Size of 63.9%, while the remaining 36.1% is effectd by other factors.

Discussion

The effect of Capital Adequacy Ratio (CAR) on Profitability

The estimation result of CAR variable is equal to t value of 3.567 with a probability of 0.001. Significance value of 0.001 is smaller than 0.05 so that the first hypothesis stating that there is a positive and significant effect of Capital Adequacy Ratio on Profitability, is accepted.

Bank Indonesian stipulations that each bank must have a CAR value of at least 8%. However, conditions where CAR are too high are far from minimum bank assessments for example 50%, showing that banks do not manage funds from other parties in the form of lending, banks that do not channel their funds will reduce profitability and even suffer losses. CAR that are too high also reflect that banks are not efficient in channeling funds. Ideally, CAR for each bank is at the level of 14% -20%.

The results of this study support the results of previous research conducted by Yudha & Lestari (2016) in his research entitled Determinants of Commercial Bank Profitability in Indonesian Stock Exchange (IDX). The results of the study indicate that the capital variable has a positive and significant effect on ROA.

The effect of Operational Costs on Operational Income (OCOI) on Profitability

The estimated CAR variable value of t is -7.392 with a probability of 0.000. Significance value of 0.000 is smaller than 0.05 so that the second hypothesis which states that there is a negative and significant effect of Operational Costs on Operational Income on Profitability, is accepted.

The more efficient OCOI shows that the performance of a bank is increasing. Improved bank performance, will increase public confidence in banks so that it will have an impact on increasing the number of Third Party Funds (TPF) of a bank, and also the public is encouraged to use bank products and services. The higher TPF and the community's contribution to bank products and services will increase profitability.

The results of this study support the results of previous studies conducted by Mawardi (2005) in his study entitled Analysis of Factors affecting General Financial Performance in Indonesian (Case Study at Commercial Banks with Total Assets of Less than 1 Trillion). The results of this study indicate that OCOI has a negative effect on ROA.

The Effect of Non Performing (NPL) Loan on Profitability

The estimation result of CAR variable is equal to t value of 1.421 with a probability of 0.057. The significance value of 0.057 is greater than 0.05 so the third hypothesis which states that there is a negative and significant effect of Non Performing Loan on Profitability is rejected.

The results of this study do not support the results of research conducted by Mawardi (2005) and Sari (2011) which states that NPL has a negative and significant effect on ROA. The insignificant study of the NPL variable on ROA was due to the average annual NPL results in the bank sample in 2015-2016 which increased by 8.23% and the average ROA in 2015-2016 decreased by 5.41%. Whereas in 2016-2017 NPL increased by 11.15% and ROA increased by 0.51%. The uncertainty between the increase and decrease in NPL, as well as the uncertainty between the increase and decrease in ROA causes the effect of NPL is not significant on ROA. The results of this study support research conducted by Wicaksono (2016) and Pinasti (2017) which shows that NPL has no negative effect on ROA.

The Effect of Loan to Deposite Ratio on Profitability

The results of the estimation of the LDR variable of t value of -1.925 with a probability of 0.001. The significance value of 0.158 is greater than 0.05 so that the fourth hypothesis which states that there is a positive and significant effect of the Loan to Deposit Ratio on Profitability, is rejected.

The results in this study do not support research conducted by Lipunga (2014) in his study entitled Determinants of Profitability of Listed Commercial Banks in Developing Countries: Evidence from Malawi. The results of his study showed that there is a positive relationship and has a significant effect between liquidity on ROA. The ideal LDR is 78% and the upper limit that can be tolerated is 92%. To maintain the LDR ratio, banks must always maintain or increase the amount of credit given to the public, besides collecting funds from the public. If the bank does not extend credit to the public it can affect profitability. However, if banks channel their credit in large amounts, it can increase the amount of bad loans. So if credit is channeled effectively it will generate profits, but if it is channeled carelessly it will have an impact on bad credit. This condition makes LDR not have a significant effect on ROA. The results of this study support research conducted by Sari (2011), Yudha & Lestari (2016), Pinasti (2017) which states that LDR has a negative effect on ROA.

The effect of Size on Profitability

The estimation result of Size variable is equal to t value of 4.854 with a probability of 0.000. Significance value of 0.000 is smaller than 0.05 so that the fifth hypothesis stating that there is a positive effect of Size on Profitability is accepted.

In carrying out business activities, the size of a bank will affect its ability to bear the risks that may arise due to various situations that will be encountered in the ongoing business process. The size of a small bank has less ability than the size of a large bank, so small banks find it difficult to compete with large banks, especially in a very competitive market. Banks that are more likely to experience bankruptcy are getting smaller. Thus the opportunity to increase profitability at banks that have a large size is higher than banks that have a small size.

The results of this study support the research of Yudha & Lestari (2016) in his research entitled Determinants of Commercial Bank Profitability Listed on the Indonesian Stock Exchange (IDX). The results of his study showed that size had a positive and significant effect on ROA. This study also supports research conducted by Lipunga (2014) in his study entitled Determinants of Profitability of Listed Commercial Banks in Developing Countries: Evidence from Malawi shows the results that size has a positive effect on ROA.

The The effect of CAR, OCOI, NPL, LDR and Size on Profitability

Based on the test results, it can be seen the F-count results of 44.840 with a significance of 0.000 indicating a value smaller than the significance level of 0.05. so it can be concluded that the sixth hypothesis is accepted, where the Capital Adequacy Ratio (CAR), Operational Costs on Operational Income, Non Performing Loan (NPL), Loan to Deposit Ratio (LDR), and Size together affect the profitability of commercial banks in Indonesian Stock Exchange (IDX) in 2014-2018.

The adjusted R^2 test results in this study obtained a value of 0.639. This shows that profitability is affected by Capital Adequacy Ratio (CAR), Operational Costs on Operational Income (OCOI), Non Performing Loan (NPL), Loan to Deposit Ratio (LDR), and Size of 63.9%, while the remaining 36.1% is effectd by other factors.

CONCLUSIONS AND SUGGESTION

Conclusions

1. Capital Adequacy Ratio has a positive and significant effect on ROA. This can be shown in the results of the beta coefficient of 0.041 and a significance value of 0.001 where 0.001 is smaller than 0.05.
2. Operational Costs on Operational Income has a negative and significant effect on ROA. This can be shown in the results of the beta coefficient of -0.043 and a significance value of 0.000 where 0,000 is less than 0.05.
3. Non Performing Loan has no negative effect and are not significant on ROA. This can be shown in the results of the beta coefficient of -0.070 and a significance value of 0.057 where 0.000 is greater than 0.05.
4. Loan to Deposit Ratio has no positive and no significant effect on ROA. This can be shown in the results of the beta coefficient of 0.007 and a significance value of 0.158 where 0.158 is greater than 0.05.
5. Size has a positive and significant effect on ROA. This can be shown in the results of the beta coefficient of 0.002 and a significance value of 0.000 where 0.00 is smaller than 0.05.
6. Capital Adequacy Ratio (CAR), Operational Costs on Operational Income (OCOI), Non Performing Loan (NPL), Loan to Deposit Ratio (LDR), and Size together affect the profitability of commercial banks in Indonesian Stock Exchange (IDX)) 2014-2018. This can be seen from the F-count results of 44.840 with a significance of 0.000 indicating a value smaller than the significance level of 0.05.

Research Limitations

1. This study only took a span of years during 2014-2018, so the data might not reflect the banking conditions in the long run.
2. This research only uses the variable Capital Adequacy Ratio (CAR), Operational Costs on Operational Income, Non Performing Loan (NPL), Loan to Deposit Ratio (LDR), and Size. While there are still 36.1% of other influencing factors not explained in this study.

Suggestion

Company

a. The company should emphasize the ideal value on each variable. Especially starting from the Non Performing Loan (NPL) variable also must be paid more attention where from the bank calculation data there are banks namely Bank Nationalnobul which has an NPL of 0% indicating that the bank is not lending at all which resulted in the function of banks as financial intermediaries not going well .

b. Loan to Deposit Ratio (LDR) must also be considered in an ideal figure of 78% - 92%, and suppressed at this level so that credit demand and growth of Third Party Funds (TPF) at that level will produce the ideal LDR according to the provisions.

c. Capital Adequacy Ratio (CAR) also needs to be taken into account where banking calculation data has a CAR that is too high exceeds the minimum regulatory limit of Bank Indonesian, which is 8%, for example Bank INA Perdana has a CAR value of 66% due to banks being too selective about lending , so that the main function of the bank as financial intermediary does not work well.

d. Companies must pay attention to each variable Capital Adequacy Ratio (CAR), Operational Costs on Operational Income, Non Performing Loan (NPL), Loan to Deposit Ratio (LDR), and Size so that the company can maximize profits derived from existing assets and capital.

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