The analysis of the effects of Bank Soundness Rate, Inflation and Indonesian Bank Rate on the Profit Growth of Regional Development Banks

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Аналіз впливу показника надійності банку, інфляції та ставки Банку Індонезії на зростання прибутку банків регіонального розвитку

Анотація. *Банки регіонального розвитку – тип банків в Індонезії, які створюються місцевим провінційним урядом. Їх метою є стимулювання регіонального розвитку та надання початкового капіталу населенню та підприємствам провінції, який приватні банки не ризикували б надавати, а також надання базових фінансових послуг для населення провінції. Такі банки підтримують не лише економічне зростання у відповідних регіонах, але й макроекономічне зростання країни в цілому. Мета даного дослідження – надати емпіричні докази щодо впливу рівня надійності банку, інфляції та показника банківської ставки на зростання прибутку банків регіонального розвитку. У цьому дослідженні автори використовують дані за 2014-2019 роки. Вибірка дослідження – 26 банків регіонального розвитку в Індонезії, які зареєстровані в Центральному банку Індонезії та Управлінні фінансових служб. В роботі виділено п'ять регіонів Індонезії щодо яких проводиться аналіз: Ява (включаючи Балі), Суматра, Калімантан, Сулавесі та Іріан Джая (включаючи Нуса-Тенгара). Автори використовують для аналізу вторинні дані, отримані із квартальних та річних фінансових звітів банків. Перевірка гіпотези проводилась з використанням множинного регресійного аналізу, обробка даних здійснювалась в середовищі SPSS Statistics. Виявлено, що складові надійності банку (коефіцієнт достатності капіталу, чиста процентна маржа, непрацююча позика, коефіцієнт позичкових депозитів, ефективне корпоративне управління), інфляція та банківська ставка не впливають на зростання прибутку банків регіонального розвитку. Однак, така змінна як відношення операційних витрат до коефіцієнт операційного доходу має незначний вплив на зростання прибутку банків регіонального розвитку в Суматрі. Для інших регіонів такий вплив не прослідковується.*

Ключові слова: *рівень надійності банку, банк регіонального розвитку, інфляція, банківська ставка, прибуток банку.*

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The analysis of the effects of Bank Soundness Rate, Inflation and Indonesian Bank Rate on the Profit Growth of Regional Development Banks

Abstract. *Regional Development Banks (BPD in Indonesian) are a type of bank in Indonesia that is established by the local provincial government. Its purpose is to boost regional development and provide initial capital to the province that private banks would not risk giving, as well as giving basic financial services for the general provincial population. RDBs support not only the economic growth in their respective regions but also Indonesia's*

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macroeconomic growth. The purpose of this study is to provide empirical evidence on the impact of the bank soundness rate, inflation and Indonesian Bank rate (BI Rate) on the profit growth of Regional Development Banks. In this study, the authors use data for 2014-2019. The sample of the study is represented by 26 regional development banks in Indonesia, which are registered with the Bank Indonesia and the Financial Services Authority. The authors identified five regions of Indonesia that are being analyzed: Java (including Bali), Sumatra, Kalimantan, Sulawesi and Irian Jaya (including Nusa Tenggara). The authors use for analysis the secondary data obtained from quarterly and annual financial statements of banks. Hypothesis testing was performed using multiple regression analysis, data processing was performed in the SPSS Statistics program. It was found that the components of bank soundness (Capital Adequacy Ratio (CAR), Net Interest Margin (NIM), Non-Performing Loans (NPL), Loan to Deposit Ratio (LDR), Good Corporate Governance (GCG)), inflation and the BI Rate do not affect the profits growth of regional development banks. However, such a variable as the Operational Efficiency (known in Indonesia as BOPO) has little effect on the profits growth of regional development banks in Sumatra. For other regions, such an effect is not observed.

Keywords: *bank soundness level, Regional Development Bank, inflation, Indonesian Bank rate, bank profits.*

Introduction. The regional governments throughout the Republic of Indonesia have a significant influence on the development of the economic situation in the region. The close connection between the Regional Development Bank (RDB) and the Regional Government helps to achieve the goals in encouraging economic activity in regional development through SME funding. Furthermore, Regional Development Banks uphold a strategic role as a partner for the Government and an instrument for accelerating regional development (Hardiasmo, 2018). RDBs support not only the economic growth in their respective regions but also Indonesia's macroeconomic growth.

Regional Development Banks are synonymous with consumer credit. Regional Development Banks have consumption credit of 69% or 321,681 billion rupiahs of the total RDBs credit and, on the other hand, only 31% or 142,754 billion rupiahs for productive credit (working capital and investment). However, 2.62% of the total loans or 12,175 billion rupiahs were announced as Non-Performing Loans (collective loans 3, 4, and 5) (OJK, 2019). The phenomenon certainly affects the sustainability of banking system and potentially generates problems in the nation's economy.

Bank Indonesia as the supervisory principal has issued Bank Indonesia Regulation (PBI) No.13/1/PBI/2011 concerning Assessment of Commercial Bank Soundness Level, which requires banks to conduct a self-assessment of Bank Soundness Level using a risk approach (Risk-Based Bank Rating/RBBR), both individually and on a consolidated basis. This procedure is known as the RGEC (Risk Profile, Good Corporate Governance, Earning, and Capital) method. Banks that meet the RGEC indicators can be categorized as healthy banks. Bank health can support bank performance that can encourage and maintain public confidence in using bank services.

This work is devoted to research the influence of these financial ratios and the external factors that do not have a direct correlation with bank management. These external factors indirectly affect the economy and law, which will influence the performance of financial institutions such as inflation and the BI rate (interest rate).

The results of previous studies suggest that several variables affect the growth of bank profits, but the results are inconsistent. The Capital Adequacy Ratio (CAR) studied by Suci (2012) showed a positive but insignificant effect on profit growth, while Tio (2012) displayed a significant positive impact on profit growth. Lubis (2013), Fathoni et al. (2013), and Tio (2012) conducted studies on Non-Performing Loans (NPL) and stated that the NPL ratio had a significant influence on profit growth. On the other hand, Aini (2013) found a contrasting result when discovering that NPL provided no significant effect on profit growth.

Furthermore, studies on Net Interest Margins (NIM) also demonstrate inconsistent results. Patulak (2014) found that Net Interest Margin (NIM) had a positive and significant impact on profit growth. However, Aini (2013) found that NIM had no insignificant effect on profit growth. Contrasting results also appeared in the case of the Loan to Deposit Ratio (LDR). Tio (2012) and Fathoni et al. (2012) explained that the Loan to Deposit Ratio (LDR) has no significant effect on profit growth. Meanwhile, Anisah Lubis (2013) and Patulak (2014) described in their studies that the Loan to Deposit Ratio (LDR) possesses a significant influence on profit growth.

Many studies were conducted on Operational Efficiency (known in Indonesia as BOPO). Tio (2012) emphasized that there is no significant effect between BOPO on profit growth, while Suci (2012) shows that there is a significant effect between BOPO on profit growth. Then, another factor that previous studies have examined is Good Corporate Governance (GCG). Wahyuni, et al. (2018) stated that GCG had an insignificant negative effect on profit growth, while Suryan and Habibie (2017) explained in their study that Good Corporate Governance (GCG) did not affect profit growth. The results of previous studies indicate that there is still a research gap. Therefore, there is a need to conduct another survey on this topic. In addition to the internal factors described above, several factors such as inflation and the determination of BI rate can affect the growth of national banking profits.

Theoretical Framework

Stakeholder Theory

The stakeholder theory discusses which parties the company is responsible for (Freeman, 2001). Companies are responsible not only to shareholders but also to stakeholders (Maulida and Adam, 2012). The stakeholder theory focuses on how a company can manage its relationships with its stakeholders.

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Financial Intermediary Theory

John Gurley's Financial Intermediary Theory (1956) discusses one of the functions of banking institutions as a dominant supporter in a country's economy by intermediating funds from those who have excess funds to those who lack funds. The primary role of intermediation helps ensure economic stability and well-being.

Banks perform financial intermediation as mediators to collect funds from the third parties who have a surplus of money and channel them back to borrowers consisting of households, private sectors, and the government. The intermediation will function optimally if it is supported by adequate capital (Buchory, 2006).

Banks

According to Act of the Republic of Indonesia No 10 on November 10, 1998, a bank is a business entity that collects funds from the public in the form of savings and distributes them to the public through credit or other forms of funding to improve the people's standard of living. The types of banks based on their ownership include:

1) Government-owned Bank;
2) Private National Bank;
3) Co-operative Bank.

Regional Development Bank

Regional Development Bank acts as a partner of the Provincial Government to support the work of the Provincial Government that requires financial and banking services. Regional Development Bank is a commercial bank whose share ownership is owned by the Regional Government.

Inflation is rising prices of goods and services, which occurs when expenditure is higher than the supply of goods on the market. In other words, too much money chases too few goods (Downes & Goodman, 1994).

Indonesia Central Bank (BI) Rate

BI Rate is an interest rate with a tenor of one month announced by Bank Indonesia (The Indonesian Central Bank) periodically serving as a signal (stance) of monetary policy. The BI Rate indicates the short-term interest rate desired by Bank Indonesia to achieve the inflation target (Nuryazini, 2008).

Bank Soundness Level

Indonesia Central Bank (BI) defines a bank's soundness level as the result of an assessment of the bank's condition conducted on the bank's risk and performance. The measurement instrument used to assess bank condition is a risk-based bank rating approach as stipulated in the regulation of Indonesia Central Bank (PBI) No. 13/1/PBI/2011. The assessment is conducted on several factors such as risk profile, Good Corporate Governance (GCG), profitability (earnings), and capital.

Taswan (2010) explains that bank soundness level is the outcome of a qualitative and/or quantitative assessment of various aspects conducted through an evaluation of capital factors, asset quality, management, profitability, liquidity, and sensitivity to market risk that influence the condition or performance of a bank. The Bank Soundness Level is used as a quantitative assessment or qualitative after considering the element of judgment.

Risk Based Bank Rating

The Indonesia Central Bank Regulation No. 13/I/PBI/2011 article 2 states that banks must conduct a bank soundness rating using a risk-based bank rating (RBBR) approach. Based on the Circular Letter of Indonesia Central Bank No. 13/24/DPNP in 2013, the RBBR evaluates four factors, including Risk Profile, Good Corporate Governance, Earnings, and Capital. A healthy bank can also reflect the success of the central bank in implementing its monetary policy (I Wayan, 2013). The factors included in the assessment of the Risk-Based Bank Rating (RBBR) in this study are:

– Risk Profile;
– Credit Risk.

Credit risk in this study is proxied by Non-Performing Loan (NPL). Non-Performing Loan (NPL) is a credit ratio that shows the number of loans experiencing problems due to the debtor's failure to fulfill their obligations to the bank. NPL is formulated as follows:

$$\text{Gross NPL} = \frac{Total\ Bad\ Credit + Allowance\ for\ Impairment\ Losses}{Total\ Credit}\ x\ 100\%$$

$$\text{Nett NPL} = \frac{Total\ Bad\ Credit}{Total\ Credit}\ x\ 100\%$$

Table 1

NPL Assessment Criteria

Rank	Category	Criteria
1	Very Healthy	NPL < 2%
2	Healthy	2% ≤ NPL < 5%
3	Fairy Healthy	5% ≤ NPL < 8%
4	Less Healthy	8% ≤ NPL ≤ 12%
5	Not Healthy	NPL ≥ 12%

Souce: Circular Letter of Indonesia Central Bank No. 6/23/DPNP Year 2004.

Liquidity Risk

Liquidity risk in this study is proxied by Loan to Deposit Ratio (LDR). LDR is formulated as follows:

LDR = (Total Credit Given * 100%) / Total Third Party Funds

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Table 2

LDR Assessment Criteria

Rank	Category	Criteria
1	Very Healthy	NPL < 75%
2	Healthy	75% ≤ NPL < 85%
3	Fairy Healthy	85% ≤ LDR < 100%
4	Less Healthy	100% ≤ LDR ≤ 120%
5	Not Healthy	LDR ≥ 120%

Source: Circular Letter of Indonesia Central Bank No. 6/23/DPNP Year 2004.

Good Corporate Governace (GCG)

The ranking criteria (GCG composite score) are as follows:

Table 3

Ranking Criteria (GCG Composite Score)

Rank	Category
1	Very Good
2	Good
3	Average
4	Below Average
5	Poor

Source: Circular Letter of Indonesia Central Bank No. 15/15/DPNP Year 2013.

Earnings (Profitability)

Based on the Financial Services Authority Regulation (POJK) No. 6/POJK.03/2016, the efficiency level of a bank is measured by the Operational Efficiency (BOPO) ratio and the Net Interest Margin (NIM) ratio or Net Operating Margin (NOM) ratio. The rates used to measure earnings include NIM and BOPO. When the BOPO ratio and/or NIM ratio gets lower, the incentive to decrease the calculation of core capital allocation would be more significant to help the bank obtain an office network.

NIM = (Net Interest Income * 100%) / Average of Productive Asset

BOPO = (Operational Expenses X100%) / Operational Income

CAR = (Capital * 100%) / Risk Weighted Asset

Capital factor assessment is measured using the Capital Adequacy Ratio (CAR) as follows:

Table 4

Capital Adequacy Ratio *(CAR)*

Rank	Category	Criteria
1	Very Healthy	CAR < 12%
2	Healthy	9% ≤ CAR < 12%
3	Fairy Healthy	8% ≤ CAR < 9%
4	Less Healthy	6% ≤ CAR < 8%
5	Not Healthy	LDR < 6%

Source: Circular letter of Indonesia Central Bank No. 6/23/DPNP Year 2004.

Research hypothesis

H_1: The CAR ratio of RDBs in Sumatra, Java (including Bali), Kalimantan, Sulawesi and Irian Jaya (including Maluku and Nusa Tenggara) influences on profit growth.

H_2: The NIM ratio of RDBs in Sumatra, Java (including Bali), Kalimantan, Sulawesi and Irian Jaya (including Maluku and Nusa Tenggara) influences on profit growth.

H_3: The BOPO ratio of RDBs in Sumatra, Java (including Bali), Kalimantan, Sulawesi and Irian Jaya (including Maluku and Nusa Tenggara) influence on profit growth.

H_4: The LDR ratio of RDBs in Sumatra, Java (including Bali), Kalimantan, Sulawesi and Irian Jaya (including Maluku and Nusa Tenggara) influences on profit growth.

H_5: The NPL ratio of RDBs in Sumatra, Java (including Bali), Kalimantan, Sulawesi and Irian Jaya (including Maluku and Nusa Tenggara) influences on profit growth.

H_6: The GCG composite ranking of RDBs in Sumatra, Java (including Bali), Kalimantan, Sulawesi and Irian Jaya (including Maluku and Nusa Tenggara) influence on profit growth.

H_7: Inflation influences RDBs profit growth in Sumatra, Java (including Bali), Kalimantan, Sulawesi and Irian Jaya (including Maluku and Nusa Tenggara).

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H_8: BI Rate influences on RDBs profit growth in Sumatra, Java (including Bali), Kalimantan, Sulawesi and Irian Jaya (including Maluku and Nusa Tenggara).

Research methodology

This study analyzes bank soundness level's influence (RGEC ratio) on profit growth at Regional Development Banks. The scope of this study covers 26 Regional Development Banks registered in Indonesia Central Bank (BI) throughout 2014-2019. The authors use a quantitative approach. The data used in this work are secondary, including financial ratios and GCG composite values obtained from the 4th period of Quarterly Publication Reports (end of the year) during the research period and GCG Reports period II (end of the year) during the research period and in the Annual Reports.

To analyze the data, the authors use descriptive statistics. The form of the regression model used for determining the Profit Growth is as follows:

$$Y = a + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + \beta 6X6 + + \beta 5X7 + \beta 6X8 + Ɛ$$

where:
Y = Profit Growth;
a = Constant;
X1 = CAR;
X2 = NIM;
X3 = BOPO;
X4 = NPL;
X5 = LDR;
X6 = GCG Composite;
X7 = Inflation;
X8 = BI Rate;
Ɛ = Residual error.

Multiple Regression Test

Table 5

BPD Multiple Regression Test for Sumatra Region

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.397	0.824		2.911	0.006		
	CAR (X1)	-0.015	0.012	-0.182	-1.216	0.231	0.703	1.422
	NIM (X2)	0.038	0.030	0.183	1.249	0.219	0.731	1.369
	BOPO (X3)	-0.032	0.008	-0.602	-3.877	0.000	0.653	1.531
	NPL Gross (X4)	0.018	0.020	0.140	0.903	0.372	0.658	1.520
	LDR (X5)	0.004	0.003	0.172	1.320	0.195	0.928	1.077
	GCG (X6)	0.001	0.033	0.005	0.035	0.972	0.755	1.324
	BI Rate (X7)	0.016	0.021	0.129	0.727	0.472	0.502	1.991
	Inflasi (X8)	-0.039	0.030	-0.220	-1.281	0.208	0.533	1.877

a. Dependent Variable: Profit Growth (Y)

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \beta_8X_8 + e_{it}$$

Profit Growth = $\alpha + \beta_1$CAR + β_2NIM + β_3BOPO+ β_4NPL + β_5LDR + β_6GCG + β_7BI *Rate* + β_8Inflasi + e

Profit Growth =2,397- 0,015 (CAR) + 0,038 (NIM) -0,032 (BOPO) + 0,018 (NPL) + 0,004 (LDR) +0,001 (GCG) + +0,016 (BI *Rate*) -0,039 (Inflasi) + e

Table 6

BPD Multiple Regression Test for Java Region (including Bali)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0.001	1.424		0.001	1.000		
	CAR (X1)	0.041	0.024	0.405	1.710	0.099	0.440	2.271
	NIM (X2)	-0.049	0.062	-0.133	-0.783	0.440	0.856	1.168
	BOPO (X3)	-0.008	0.012	-0.131	-0.682	0.501	0.671	1.491
	NPL Gross (X4)	-0.033	0.053	-0.135	-0.624	0.538	0.529	1.890
	LDR (X5)	-0.003	0.007	-0.067	-0.392	0.698	0.851	1.175
	GCG (X6)	0.161	0.074	0.381	2.180	0.038	0.809	1.236
	BI Rate (X7)	0.055	0.039	0.292	1.397	0.174	0.568	1.761
	Inflasi (X8)	0.007	0.059	0.027	0.128	0.899	0.543	1.843

a. Dependent Variable: Pertumbuhan Laba (Y)

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \beta_8X_8 + e_{it}$$

Profit Growth = α + β_1CAR + β_2NIM + β_3BOPO+ β_4NPL + β_5LDR + β_6GCG + β_7B*I Rate* + β_8Inflasi + e

Profit Growth = 0,001 + 0,041 (CAR) - 0,049 (NIM) -0,008 (BOPO) - 0,033 (NPL) - 0,003 (LDR) +0,161 (GCG) + + 0,055 (BI *Rate*) +0,007 (Inflasi) + e

Table 7

BPD Multiple Regression Test for Kalimantan Region

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0.423	1.537		0.276	0.787		
	CAR (X1)	0.007	0.019	0.107	0.367	0.719	0.548	1.826
	NIM (X2)	-0.039	0.085	-0.205	-0.460	0.652	0.233	4.287
	BOPO (X3)	-0.010	0.012	-0.316	-0.778	0.449	0.282	3.542
	NPL Gross (X4)	-0.017	0.029	-0.234	-0.593	0.562	0.300	3.336
	LDR (X5)	0.005	0.006	0.208	0.801	0.436	0.689	1.451
	GCG (X6)	0.074	0.058	0.294	1.271	0.223	0.873	1.146
	BI Rate (X7)	0.035	0.037	0.288	0.928	0.368	0.484	2.067
	Inflasi (X8)	-0.037	0.052	-0.210	-0.711	0.488	0.538	1.860

a. Dependent Variable: Pertumbuhan Laba (Y)

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \beta_8X_8 + e_{it}$$

Profit Growth = α + β_1CAR + β_2NIM + β_3BOPO+ β_4NPL + β_5LDR + β_6GCG + β_7BI *Rate* + β_8Inflasi + e

Profit Growth = 0,423 + 0,007 (CAR) - 0,039 (NIM) -0,010 (BOPO) - 0,017 (NPL) + 0,005 (LDR) +0,074 (GCG) + + 0,035 (BI *Rate*) - 0,037 (Inflasi) + e

Table 8

BPD Multiple Regression Test for Sulawesi Region

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0.718	1.543		0.465	0.649		
	CAR (X1)	0.005	0.014	0.118	0.325	0.750	0.321	3.118
	NIM (X2)	0.101	0.047	0.577	2.136	0.050	0.577	1.733
	BOPO (X3)	-0.012	0.013	-0.340	-0.892	0.387	0.289	3.458
	NPL Gross (X4)	0.021	0.096	0.058	0.218	0.830	0.592	1.689
	LDR (X5)	-0.003	0.005	-0.136	-0.506	0.621	0.578	1.729
	GCG (X6)	-0.031	0.059	-0.135	-0.527	0.606	0.645	1.549
	BI Rate (X7)	0.005	0.037	0.043	0.146	0.886	0.479	2.089
	Inflasi (X8)	-0.061	0.050	-0.337	-1.219	0.242	0.552	1.813

a. Dependent Variable: Pertumbuhan Laba (Y)

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \beta_8X_8 + e_{it}$$

Profit Growth = α + β_1CAR + β_2NIM + β_3BOPO+ β_4NPL + β_5LDR + β_6GCG + β_7BI *Rate* + β_8Inflasi + e

Profit Growth = 0,718 + 0,005 (CAR) + 0,101 (NIM) – 0,012 (BOPO) + 0,021 (NPL) - 0,003 (LDR) - 0,031 (GCG) + + 0,005 (BI *Rate*) -0,061 (Inflasi) +e

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Table 9

BPD Multiple Regression Test for Irian Jaya Region (including Maluku and Nusa Tenggara)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-65.145	83.284		-0.782	0.446		
	CAR (X1)	1.542	1.756	0.503	0.878	0.394	0.145	6.880
	NIM (X2)	0.145	4.449	0.015	0.033	0.974	0.237	4.216
	BOPO (X3)	-0.013	0.535	-0.008	-0.024	0.981	0.391	2.556
	NPL Gross (X4)	1.586	1.982	0.384	0.800	0.436	0.206	4.845
	LDR (X5)	0.318	0.433	0.237	0.735	0.474	0.458	2.184
	GCG (X6)	0.047	4.988	0.003	0.009	0.993	0.438	2.284
	BI Rate (X7)	5.056	2.931	0.604	1.725	0.105	0.388	2.574
	Inflasi (X8)	-5.094	3.978	-0.418	-1.281	0.220	0.446	2.241

a. Dependent Variable: Pertumbuhan Laba (Y)

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + e_{it}$$

Profit Growth = $\alpha + \beta_1$CAR + β_2NIM + β_3BOPO+ β_4NPL + β_5LDR + β_6GCG + β_7BI *Rate* + β_8Inflasi + e

Profit Growth = -65,145 + 1,542 (CAR) + 0,145 (NIM) - 0,013 (BOPO) + 1.586 (NPL) + 0,318 (LDR) +0,047 (GCG) + + 5,056 (BI *Rate*) -5.094 (Inflasi) + e

Descriptive Statistical Analysis

Table 10

Descriptive Statistics for Sumatera Region

Kode	Mean	Median	Max	Min
Pertumbuhan Laba	0.07	0.06	1.14	(0.40)
CAR	19.10	19.11	29.48	14.38
NIM	6.97	7.22	8.39	5.21
BOPO	79.17	80.60	84.96	66.48
NPL	3.01	2.96	7.10	0.33
LDR	94.13	94.13	125.19	71.36
GCG	2.38	2.00	3.00	1.00
BI *Rate*	4.03	3.24	8.36	2.72
Inflasi	5.88	5.50	7.75	4.25

Table 11

Descriptive Statistics for the Region of Java and Bali

Kode	Mean	Median	Max	Min
Pertumbuhan Laba	0.13	0.09	1.78	(0.50)
CAR	20.97	20.34	29.88	14.34
NIM	6.56	6.78	7.87	3.31
BOPO	75.20	74.24	90.99	64.89
NPL	2.79	2.72	7.96	0.35
LDR	88.40	90.51	102.75	63.34
GCG	2.06	2.00	3.00	1.00
BI *Rate*	4.03	3.24	8.36	2.72
Inflasi	5.88	5.50	7.75	4.25

Table 12

Descriptive Statistics for Kalimantan Region

Kode	Mean	Median	Max	Min
Pertumbuhan Laba	0.02	0.06	0.55	(0.42)
CAR	23.78	23.10	31.62	18.06
NIM	7.33	7.30	9.41	4.95
BOPO	75.45	73.07	88.51	59.52
NPL	3.44	2.92	10.36	0.29
LDR	90.09	89.72	106.53	69.43
GCG	2.42	2.00	3.00	2.00
BI *Rate*	4.03	3.24	8.36	2.72
Inflasi	5.88	5.50	7.75	4.25

Table 13

Descriptive Statistics for Sulawesi Region

Kode	Mean	Median	Max	Min
Pertumbuhan Laba	0.13	0.11	0.73	(0.50)
CAR	24.32	25.15	38.38	13.79
NIM	7.97	7.57	10.52	5.73
BOPO	74.33	73.15	87.35	60.13
NPL	1.43	1.36	2.90	0.42
LDR	102.00	102.23	120.44	69.43
GCG	2.42	2.00	3.00	1.00
BI *Rate*	4.03	3.24	8.36	2.72
Inflasi	5.88	5.50	7.75	4.25

Table 14

Descriptive Statistics for the Regions of Irian Jaya, Maluku and NTT

Kode	Mean	Median	Max	Min
Pertumbuhan Laba	(3.40)	0.02	1.54	(81.87)
CAR	23.14	22.22	35.47	16.28
NIM	7.98	8.10	10.44	2.18
BOPO	78.47	75.71	106.54	65.79
NPL	3.89	2.33	15.03	1.20
LDR	91.77	89.18	115.28	70.30
GCG	2.63	3.00	3.00	3.00
BI *Rate*	4.03	3.24	8.36	2.72
Inflasi	5.88	5.50	7.75	4.25

The Influence of CAR on Profit Growth

The CAR average value of RDB in the Sumatra region from 2014 to 2019 was 18.85, 20.60, 19.21, 20.48, 20.50, and 19.72, respectively. Bank Jambi in 2014 acquired 29.48 of CAR value and became the RDB with the highest CAR value during this period. On the other hand, Bank Sumut had the smallest CAR value in the region with a percentage of 14.38 in the same year. The results of the descriptive analysis of the CAR variable showed an average value (mean) of 19.10. The median was 19.11. The maximum value was 29.48, and the minimum value was 14.38.

In another part of the country, the CAR average values of RDB in Java (including Bali) were 17.98 in 2014, 20.25 in 2015, 22.40 in 2016, 22.10 in 2017, 21.38 in 2018, and 21.70 in 2019. In 2017, Bank DKI became the RDB with the highest CAR value with a percentage of 29.88. Meanwhile, the smallest CAR value was obtained by Bank Jateng in 2014 with a percentage of 14.34. The descriptive analysis results of the CAR variable showed an average value (mean) of 20.97. The median value was 20.34. In addition, the maximum value is 29.88 and, the minimum value is 14.34.

In Kalimantan, the CAR average value of RDB Kalimantan was 21.89 in 2014, 23.68 in 2015, and 23.71 in 2016, 24.48 in 2017, 25.06 in 2018, and 23.85 in 2019. Bank Kalteng got the highest CAR value in 2017 with a percentage of 31.62. In contrast, Bank Kaltim hit the lowest point of its CAR value in 2014 with a percentage of 18.06. The descriptive analysis result displayed an average value (mean) of 23.78, and the median value (median) was 23.10. Then, the maximum value is 31.62, while the minimum value is 18.06.

Furthermore, the CAR average values of RDB in Sulawesi from 2014-2019 were 25.58, 25.37, 24.44, 23.97, 23.76, and 22.79, respectively. In 2014, Bank Sulselbar obtained the highest CAR value with a percentage of 38.38 while Bank Sulutgo had the smallest

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CAR value with a percentage of 13.79 in the same year. The descriptive analysis of the CAR variable indicated an average value (mean) of 24.32, the median value of 25.15, the maximum value is 38.38 and the minimum value is 13.79.

The CAR average values of RDB in the Irian Jaya region (including Maluku and Nusa Tenggara) during the six years were 17.54, 22.87, 22.89, 23.55, 25.99, and 25.99. Bank NTB Syariah obtained the best CAR value with a percentage of 35.47. However, Bank Papua had only a percentage of 16.28 and became a bank with the smallest CAR value in the region. The results of the descriptive analysis of the CAR variable showed an average value (mean) of 23.14. The median was 22.22. The maximum value is 35.47 whereas the minimum value of 16.28.

Based on the test results, the Sig. value was > 5%. In other words, the CAR did not influence the profit growth. Consequently, this study rejected the hypothesis (H1). Therefore, the writer concluded that CAR does not affect the profit growth of RDB in Sumatra, Java (including Bali), Kalimantan, Sulawesi, and Irian Jaya (including Maluku and Nusa Tenggara).

The Influence of NIM on Profit Growth

The NIM average value of RDB in Sumatra during 2014-2019 was 7.54 in 2014, 6.84 in 2015, 7.12 in 2016, 6.46 in 2017, 7.11 in 2018, and 5.85 in 2019. During this period, Bank Bengkulu acquired the highest NIM value in 2014 at a percentage of 29.48. Bank Lampung, on the other hand, managed to only gain a percentage of 5.21 in 2019 as the smallest NIM value. The descriptive analysis of the NIM variable showed an average value (mean) was 6.97, the median was 7.22, the maximum value was 8.39 and the minimum value was 5.21.

In Java and Bali, The NIM average value of RDB was 6.63 in 2014, 6.47 in 2015, 6.95 in 2016, 6.50 in 2017, 6.58 in 2018, and 6.23 in 2019. During this period, DIY Bank acquired the highest NIM value in 2014 with a percentage of 7.87. For the smallest NIM value, Bank Jatim hit the lowest bottom with a percentage of 3.31. The descriptive analysis of the NIM variable showed an average value (mean) was 6.56, the median was 6.78, the maximum value was 7.87 and the minimum value was 3.31.

Next, the NIM average value of RDB was 7.34 in 2014, 7.45 in 2015, 8.17 in 2016, 7.72 in 2017, 6.78 in 2018, and 6.52 in 2019 in Kalimantan. From the 2014-2019 period, Bank Kalteng acquired the highest NIM value in the first year with a percentage of 9.41. Meanwhile, Bank Kaltimtara gained the smallest NIM value with a percentage of 4.95 in the same year. The descriptive analysis of the NIM variable showed an average value (mean) was 7.33, the median was 7.30, the maximum value was 9.41, and the minimum value was 4.95.

Furthermore, the NIM average value of RDB was 18.85 in 2014, 20.60 in 2015, 19.21 in 2016, 20.48 in 2017, 20.50 in 2018, and 19.72 in 2019 in Sulawesi. Bank Sulselbar was head and shoulder above the rest with a percentage of 10.52 in 2014. Four years later, Bank Sulteng acquired a percentage of 5.73, and it happened to be the smallest NIM value in Sulawesi. The descriptive analysis of the NIM variable showed an average value (mean) was 7.97, the median was 7.57, the maximum value was 10.52, and the minimum value was 5.73.

Finally, in Irian Jaya, Maluku and Nusa Tenggara, The NIM average value was 9.24, 8.46, 8.21, 7.83, 7.69, and 6.46 from 2014 to 2019. The highest NIM value was recorded by Bank Maluku in 2014 with a percentage of 10.44. In contrast, Bank NTB Syariah hit the rock bottom in 2019 with a percentage of 2.18. The descriptive analysis of the NIM variable showed an average value (mean) was 10.52, the median was 8.10, the maximum value was 10.44, and the minimum value was 2.18.

The test indicated that Sig. value was > 5%. In other words, test results showed that NIM did not influence profit growth. Thus, the hypothesis (H2) was rejected. Therefore, based on the result of the study, NIM does not affect the profit growth of RDB in Sumatra, Java (including Bali), Kalimantan, Sulawesi, and Irian Jaya (including Maluku and Nusa Tenggara).

The Influence of BOPO on Profit Growth

The BOPO average value of RDB in Sumatra was 75.43 in 2014, 78.33 in 2015, 78.06 in 2016, 77.74 in 2017, 80.02 in 2018, and 79.73 in 2019. Bank Bengkulu acquired the highest BOPO value in 2018 with a percentage of 84.96. On the other hand, Bank Jambi obtained the smallest BOPO value in 2017 with a percentage of 66.48. The descriptive analysis of the BOPO variable indicated that the average value (mean) was 79.17, the median was 80.60, the maximum value was 84.96, and the minimum value was 66.48.

In Java and Bali, the BOPO average value was 75.80 in 2014, 78.00 in 2015, 74.02 in 2016, 73.93 in 2017, 74.36 in 2018, and 75.09 in 2019. Bank DKI recorded the highest BOPO value in 2015 with a percentage of 90.99. Meanwhile, Bank Bali recorded the smallest BOPO value with a percentage of 64.89 in the previous year. The descriptive analysis of the BOPO variable displayed that the average value (mean) was 75.20, the median was 74.24, the maximum value was 90.99, and the minimum value was 64.89.

Then, the BOPO average value in RDB in Kalimantan was 72.10 in 2014, 74.41 in 2015, 73.94 in 2016, 76.26 in 2017, 75.88 in 2018, and 80.15 in 2019. Bank Kaltimtara successfully acquired the highest BOPO value in 2019 with a percentage of 88.51. However, Bank Kalteng earned the smallest BOPO value with a percentage of 59.52 in 2015. The descriptive analysis of the BOPO variable indicated that the average value was 75.45, the median was 73.07, the maximum value was 88.51, and the minimum value was 59.52.

Next, in Sulawesi, the BOPO average value from 2014 to 2019 was 71.56, 74.80, 73.26, 76.39, 74.54, and 75.47, respectively. Bank Sulutgo hit the highest BOPO value in 2015 with a percentage of 87.35 while Bank Sulselbar gained the smallest BOPO value a year later with a percentage of 60.13. The descriptive analysis of the BOPO variable showed that the average value (mean) was 74.33, the median was 73.15, the maximum value was 87.35 and the minimum value was 60.13.

In Irian Jaya, Maluku and Nusa Tenggara, the BOPO average value was 81.39 in 2014, 71.92 in 2015, 80.64 in 2016, 77.88 in 2017, 80.96 in 2018, and 78.05 in 2019. Bank Papua had the highest BOPO value in 2016 with a percentage of 106.54. Dissimilarly, Bank NTB Syariah got the smallest BOPO value with a percentage of 65.79 two years earlier. The descriptive analysis of the BOPO variable showed that the average value (mean) was 78.47, the median was 75.71, the maximum value was 106.54, and the minimum value was 65.79.

The results above showed that the Sig. value was > 5%, meaning that BOPO did not affect the profit growth. Thus, the first hypothesis (H1) was rejected. In conclusion, BOPO did not affect the profit growth of RDB in Java (including Bali), Kalimantan, Sulawesi, and Irian Jaya (including Maluku and Nusa Tenggara). BOPO only influenced the RDB profit growth in the Sumatra region.

The Influence of NPL onProfit Growth

The NPL average value of RDB in Sumatra was 2.80 in 2014, 2.48 in 2015, 2.68 in 2016, 2.62 in 2017, 2.29 in 2018, and 2.35 in 2019. Bank Sumsel Babel got the highest NPL value in 201 with a percentage of 7.10. The smallest NPL during this period was reported by Bank Bengkulu in 2016 with a percentage of 0.33. T descriptive analysis of the NPL variable revealed that the average value (mean) was 3.01, the median was 2.96, the maximum value was 7.10, and the minimum value was 0.33.

In Java (including Bali), the NPL average value was 1.98 in 2014, 3.01 in 2015, 3.02 in 2016, 3.22 in 2017, 2.94 in 2018, and 2.58 in 2019. The highest NPL value was achieved by Bank DKI in 2015 with a percentage of 7.96, while Bank Bali reported the smallest NPL value in 2014 with a percentage of 0.35. The descriptive analysis of the NPL variable showed that the average value (mean) was 2.79, the median was 2.72, the maximum value was 7.96, and the minimum value was 0.35.

In Kalimantan, The NPL average value was 3.97, 3.93, 3.45, 3.62, 2.65, and 3.05 from 2014 to 2019, respectively. Bank Kaltimtara recorded the highest NPL value in 2014 with a percentage of 10.36. On the other hand, Bank Kalteng registered the smallest NPL value in 2019 with a percentage of 0.29. The descriptive analysis of the NPL variable showed that the average value (mean) was 3.44, the median was 2.92, the maximum value was 10.36, and the minimum value was 0.29.

Furthermore, the NPL average value of RDB in this region was 1.61 in 2014, 1.53 in 2015, 1.26 in 2016, 1.28 in 2017, 1.49 in 2018, and 1.42 in 2019. The highest NPL value was recorded by Bank Sultra in 2015 with a percentage of 2.90, while the smallest NPL value was noted by Bank Sulselbar in 2016 with a percentage of 0.42. The descriptive analysis of the NPL variable showed that the average value (mean) was 1.43, the median was 1.36, the maximum value was 2.90, and the minimum value was 0.42.

Last but not least, the NPL average value of RDB in Irian Jaya, Maluku, and Nusa Tenggara) was 3.18 in 2014, 3.91 in 2015, 5.13 in 2016, 5.22 in 2017, 3.27 in 2018, and 2.62 in 2019. Bank Papua earned the highest NPL value in 2016 with a percentage of 15.03. However, Bank NTB Syariah recorded the smallest NPL value with a percentage of 1.20 in the same year. The descriptive analysis of the NPL variable explicated that the average value (mean) was 3.89, the median was 2.33, the maximum value was 15.03, and the minimum value was 1.20.

The results confirmed that the Sig. value was > 5% indicating NPL did not affect profit growth. Therefore, the first hypothesis (H4) was rejected. In other words, the NPL provided no effect on RDB profit growth in Sumatra, Java (including Bali), Kalimantan, Sulawesi, and Irian Jaya (including Maluku and Nusa Tenggara).

The Influenceof LDR on Profit Growth

In Sumatra, the LDR average of RDB was 93.80 in 2014, 96.31 in 2015, 98.54 in 2016, 88.72 in 2017, 92.42 in 2018, and 89.27 in 2019. Bank Riau recorded the highest LDR value in 2016 with a percentage of 125.19. On the other hand, Bank Sumsel Babel reported the smallest LDR value in 2018 with a percentage of 71.36. T descriptive analysis of the LDR variable indicated that the average value (mean) was 94.13, the median was 94.13, the maximum value was 125.19, and the minimum value was 71.36.

In Java and Bali, the LDR average value was 89.60 in 2014, 88.51 in 2015, 90.54 in 2016, 84.26 in 2017, 88.04 in 2018, and 89.43 in 2019. Bank Bali held the highest LDR value in 2016 with a percentage of 102.75, whereas Bank Jatim reported the smallest LDR value with a percentage of 63.34 two years earlier. The descriptive analysis of the LDR variable displayed that the average value (mean) was 88.40, the median was 90.51, the maximum value was 102.76, and the minimum value was 63.34.

In Kalimantan, the LDR average value was 84.22 in 2014, 98.28 in 2015, 98.51 in 2016, 91.98 in 2017, 82.53 in 2018, and 85.05 in 2019. Bank Kalsel recorded the highest LDR value in 2016 with a percentage of 106.53. In 2019, Bank Kaltimtara reported the smallest LDR value with a percentage of 69.43. The descriptive analysis of the LDR variable demonstrated that the average value (mean) was 90.09, the median was 89.72, the maximum value was 106.53, and the minimum value was 69.43.

In Sulawesi, the LDR average value of RDB was 107.75 in 2014, 98.96 in 2015, 100.92 in 2016, 10.76 in 2017, 104.60 in 2018, and 96.01 in 2019. Bank Sulteng acquired the highest LDR value in 2014 with a percentage of 120.44, and Bank Sulteng got the smallest LDR value in 2019 with a percentage of 69.43. The descriptive analysis of the LDR variable showed that the average value (mean) was 102.00, the median was 102.23, the maximum value was 120.44, and the minimum value was 69.43.

In Irian Jaya (including Maluku and Nusa Tenggara, the LDR average LDR value was 89.96 in 2014, 89.82 in 2015, 94.54 in 2016, 89.57 in 2017, 97.11 in 2018, and 89.85 in 2019. Bank NTT recorded the highest LDR value in 2018 and 2019 with a percentage of 115.28. Meanwhile, the smallest LDR value was reported by Bank Papua in 2019 with a percentage of 70.30. The descriptive analysis of the LDR variable indicated that the average value (mean) was 91.77, the median was

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89.18, the maximum value was 115.28, and the minimum value was 70.30.

The results revealed the Sig. value was < 5% indicating that LDR did not affect profit growth. Thus, the first hypothesis (H5) was rejected. It can be concluded that LDR did not influence the profit growth of RDB in Sumatra, Java (including Bali), Kalimantan, Sulawesi, and Irian Jaya (including Maluku and Nusa Tenggara).

The Influence of GCG on Profit Growth

In Sumatra, the average value of the GCG composite ranking of RDB was 2.50 in 2014, 2.38 in 2015, 2.50 in 2016, 2.50 in 2017, 2.38 in 2018, and 2.00 in 2019. The highest value of GCG composite ranking was 1 (one), and Bank Bengkulu achieved it in 2019. On the other hand, the lowest GCG rank during this period was 3 (good enough) and was obtained by several RDBs, such as Bank Aceh in 2016-2018, Bank Sumut 2014, Bank Nagari 2014-2017, Bank Riau 2014-2018, Bank Sumsel Babel 2015, Bank Lampung 2014. The descriptive analysis of the GCG variable showed that the average value of the GCG composite ranking (mean) was 2.38, the median was 2, the maximum value was 3, and the minimum value was 1.

In Java and Bali, the average value of the GCG composite ranking was 2.17 in 2014, 2.17 in 2015, 2.00 in 2016, 2.00 in 2017, 2.00 in 2018, and 2.00 in 2019. The highest composite value was 1 (one), and DIY Bank achieved it in 2016. On the other hand, the lowest rank was 3 (three) acquired by Bank DKI in 2016 and Bank Jateng in 2014 and 2015. The descriptive analysis of the GCG variable indicated that the average value of composite ranking (mean) was 2.06, the median was 2, the maximum value was 3, and the minimum value was 1.

In Kalimantan, the average value of GCG composite ranking was 2.75 in 2014, 2.75 in 2015, 2.50 in 2016, 2.25 in 2017, 2.25 in 2018, and 2.00 in 2019. The highest composite value was 2 (two), and several banks achieved it including Bank Kalsel in 2015-2017 and 2019, Bank Kalbar in 2017-2019, Bank Kaltimtara in 2014 and 2018-2019, and Bank Kalteng in 2016-2019. The lowest composite value was 3 (three), and banks such as Bank Kalsel in 2014 and 2018, Bank Kalbar in 2014-2016, Bank Kaltimtara 2015-2017, Bank Kalteng in 2014 and 2015 were in that rank during 2014-2019. The descriptive analysis of the GCG variable displayed that the average value of composite ranking (mean) was 2.42, the median was 2, the maximum value was 3, and the minimum value was 2.

In Sulawesi, the average value of GCG composite ranking was 2.75 in 2014, 2.75 in 2015, 2.50 in 2016, 2.25 in 2017, 2.25 in 2018, and 2.00 in 2019. The highest composite value was 1 (one), and Bank Sultra achieved it in 2019. The lowest GCG composite value was 3 (three). Bank Sulselbar in 2014-2016, Bank Sulutgo in 2014 and 2015, and Bank Sulteng 2014-2019 were among those obtaining the lowest GCG composite value. The descriptive analysis of the GCG variable stated that the average value of composite ranking (mean) was 2.42, the median was 2, the maximum value was 3, and the minimum value was 1.

In Irian Jaya, Maluku and Nusa Tenggara, the average value of GCG was 2.75 in 2014, 2.50 in 2014. in 2015, and 2.75 in 2016, 2.75 in 2017, 2.50 in 2018, and 2.50 in 2019. The highest GCG composite value was 2 (two). Several banks achieved the highest rank, including Bank NTB Syariah in 2015-2019 and Bank Papua in 2014-2015 and 2018-2019. On the other hand, Bank NTT in 2014-2019, Bank Maluku in 2014-2019, Bank Papua in 2016-2017, and Bank NTB Syariah in 2014 were in the lowest rank with three as GCG composite value. The descriptive analysis of the GCG variable described that the average composite ranking (mean) was 2.63, the median was 3, the maximum value was 3, and the minimum value was 2.

The results displayed that Sig. value was > 5% indicating that the GCG composite ranking did not affect profit growth. Thus, the first hypothesis (H6) was rejected. Therefore, the GCG did not affect the profit growth of RDB in Sumatra, Java (including Bali), Kalimantan, Sulawesi, and Irian Jaya (including Maluku and Nusa Tenggara).

The Influence of BI Rate on the Profit Growth

From 2014 to 2019, the highest BI rate was 8.36% in 2014, and the lowest BI rate was 2.72% in 2019. The results of the tests conducted in Sumatra and other regions discovered that Sig. value was <5%. They indicated that the BI rate did not affect profit growth. Thus, the first hypothesis (H7) was rejected. It can be concluded that the BI rate did not affect the profit growth of RDB in Sumatra, Java (including Bali), Kalimantan, Sulawesi, and Irian Jaya (including Maluku and Nusa Tenggara).

The Influence of Inflation on the Profit Growth

The results of the tests conducted in Sumatra and 4 (four) other regions found that the Sig. value was < 5% inferring that that inflation did not affect profit growth. Therefore, the first hypothesis (H8) was rejected. In other word, the inflation did not affect the profit growth of RDB in Sumatra, Java (including Bali), Kalimantan, Sulawesi, and Irian Jaya (including Maluku and Nusa Tenggara).

Conclusions. The results of this study showed that the components of bank soundness (Capital Adequacy Ratio (CAR), Net Interest Margin (NIM), Non-Performing Loans (NPL), Loan to Deposit Ratio (LDR), Good Corporate Governance (GCG)), inflation and the BI Rate do not affect the profit growth of regional development banks. However, such a variable as the Operational Efficiency (known in Indonesia as BOPO) has negligible effect on the profit growth of regional development banks in Sumatra. For other analyzed regions, such effect is not observed.

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