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ANALYSIS OF THE INFLUENCE OF LIQUIDITY ON PROFITABILITY IN CONVENTIONAL BANKS FOR THE 2020-2022 PERIODE

[1]Rizki Dwi Sulfani, [2]Samsinar, [3]Nurafni Oktaviyah
[1]Faculty of Economics and Business, Makassar State University
[2] Faculty of Economics and Business, Makassar State University
[3] Faculty of Economics and Business, Makassar State University
[1]rriski654@gmail.com [2]samsinar77@unm.ac.id, [3]nurafni.oktaviyah@unm.ac.id

ABSTRACT

This research aims to analyze the influence of liquidity on profitability in conventional banks listed on the Indonesia Stock Exchange for the 2020-2022 periode. The variables of this research are: (1) Profitability as the dependent variable (Y) which is measured by Return on Assets (2) Liquidity as the independent variable (X) which is measured by the Loan to Deposit Ratio (LDR). The population of this research is conventional banks listed on the Indonesia Stock Exchange, while the sample of this research is 30 companies taken using purposive sampling technique. Data collection was carried out using documentation techniques. Data analysis was carried out using the Simple Linear Regression Test, t Test, and Coefficient of Determination Test (r2). The results of this study show t count > t table or 15.434 > 1.658 and a significant value of 0.000 < 0.005. Based on the results of this analysis, it can be seen that liquidity (LDR) has a positive and significant influence on profitability. These results are in accordance with the proposed hypothesis, namely that liquidity (LDR) has a positive and significant influence on profitability. Banks can adjust the LDR by developing more effective fund management strategies to achieve an optimal balance between liquidity and profitability. Banks that show a healthy and consistent LDR with stable profitability can be used as investment diversification goals for investors.

Keywords : Liquidity; Loan to Deposit Ratio; Profitability; Return on Assets.

I. INTRODUCTION

Banks and banking financial institutions are institutions that play an important role in the community's economy. This is because banking has developed its function as a financial intermediary in society. According to Kasmir (2017:12) Banks can simply be defined as financial institutions whose main activity is collecting funds from the community and channeling these funds back to the community, apart from providing other financial services. Profitability ratios are used to evaluate a company's ability to generate profits and provide an indication of how effective the company's management (Kasmir, 2022:198).

According to Muntoharu, Pratiwi & Nasution (2022:97) a bank can be said to be in good condition if it has a high profitability ratio. Profitability is an important indicator in measuring the level of performance of a bank. Profitability ratio measurement can be done by comparing the various components in the income statement and balance sheet. Measurement can be done for several periods. The goal is to monitor and evaluate the level of development of the company's profitability over time.

According to Akbar (2019:19-23) bank profitability can be influenced by several factors, one of the factors that can influence it is liquidity. Kasmir (2022:223) explains that the bank liquidity ratio is a ratio used to assess a bank's ability to fulfill its short-term obligations when they fall due. In other words, the disbursement of depositors' funds can be repaid when they are billed and can fulfill the credit request that has been submitted.

According to Candradewi (2019:8), the higher the level of banking liquidity, the more idle money that banks should be able to use to increase company profits by distributing credit to customers. If the level of banking liquidity is low, customer concerns will arise about the bank's ability to return customer savings, thereby complicating the company's situation. This liquidity is related to public trust. Kasmir (2022:223) explains that the bank liquidity ratio is a ratio used to assess the bank's ability to meet its short-term obligations when they fall due.

Conventional banks have a dominant role in the financial system in Indonesia, facilitating various financial transactions including savings and loans, investments and payments. In terms of data availability, conventional banks listed on the Indonesian Stock Exchange are required to report financial performance regularly and transparently, which gives the effect of broad access to relevant data. Conventional banks also have variations in liquidity structure and profitability, conventional banks often have a variety of liquidity management strategies and varying levels of profitability depending on the scale of business model operations and other factors.

If there is an increase in LDR then profitability (ROA) will also increase (Peling & Sedana, 2018:21). This phenomenon is supported by previous research researched by Putra & Suryanawa in 2021, and Widyaningtyas & Puspitasari in 2021 which stated that there is a positive and significant influence between LDR on profitability. There is still research that contradicts the research above, namely research conducted by Manangsang, Evinita & Pratiwi in 2022 shows that there is no influence between LDR on profitability. Therefore, the hypothesis proposed in this study is that liquidity is suspected to have a positive and significant effect on profitability in conventional commercial banks listed on the Indonesia Stock Exchange.

This study aims to analyze the effect of liquidity on profitability in conventional banks listed on the Indonesia Stock Exchange. The main problem in this study is how liquidity affects profitability in conventional banks listed on the Indonesia Stock Exchange. The profitability and liquidity of conventional banks were analyzed for the three years 2020-2022 by selecting banks using specified criteria, namely conventional commercial banks that were listed on the Indonesian Stock Exchange and did not experience losses during that period. ROA rating determination criteria based on Surat Edaran Otoritas Jasa Keuangan No. 11/SEOJK.03/2022 while the LDR standard is based on PBI No.17/11/PBI/2015.

The results of this study are expected to provide empirical evidence on the effect of liquidity on banking profitability. The results of this study are expected to help banks in identifying how liquidity affects banking profitability, so that management can optimize fund management strategies to increase profitability. The results of this study are also expected to contribute as reference material for similar research in the future.

II. RESEARCH METHOD

The bank's ability to identify how liquidity affects profitability can help management to optimize fund management strategies in an effort to increase profitability. Information regarding the relationship between bank liquidity and profitability will help investors evaluate bank performance and make more informed investment decisions.

This research is quantitative in nature and seeks to answer the problem of the influence of liquidity on profitability in conventional banks listed on the IDX. This study will examine the effect of Loan to Deposit Ratio (LDR) on profitability in conventional commercial banks listed on the Indonesia Stock Exchange. The dependent variable in this study is bank profitability calculated using Return on Assets (ROA), while the independent variable uses LDR

The population in this research is all conventional banks registered on the IDX. Meanwhile, the sample consists of 30 conventional banks listed on the IDX. This research was carried out at the IDX, with the data source used in this research only being secondary data, namely data obtained from written materials through documents, such as company history, organizational structure, and developments in financial reports.

The data collection technique used is documentation after the data is obtained, the data is then analyzed using the simple linear regression method, t test, and coefficient of determination test. This method is intended to prove the effect of liquidity on profitability and then obtain results and draw conclusions from the data analysis.

The population in this research is all conventional commercial banks listed on the Indonesia Stock Exchange (BEI) for the 2020-2022 period, totaling 43 companies. In this research, samples were taken using the purposive sampling method, namely drawing samples from the population by selecting certain criteria. The characteristics of the sample used in this research are: 1) Conventional commercial banks listed on the Indonesia Stock Exchange for 3 consecutive years from 2020-2022. 2) Banks that publish (Financial Statements) periodically from 2020-2022. 3) Conventional commercial banks that did not experience losses for the 2020-2022 period, the reason is because profitability measures the company's ability to earn profits, so banks that experienced losses cannot be used as samples. Of the 43 conventional banks, 30 banks met the sample criteria with an observation period of three years for a total of 90 research samples. The following is a table of research sampling criteria.

The data analysis technique used is simple linear regression, t test, coefficient of determination test (r2). All analyzes were carried out with the help of SPSS (Statistical Package for the Social Sciences) software. 1) Simple Linear Regression Simple linear regression analysis is used to determine the relationship between the independent variable and the dependent variable, with the formula according to (Sugiyono, 2016:262) Y = a + bx Where: Y = Profitability X = Loan to Deposit Ratio a = Constant b = Regression coefficient. 2) T test According to Kasmir (2022:292) "The t test is carried out to see the influence of one variable on another variable." This means that the t test is an analysis technique to measure the influence of the independent variable (X) on the dependent variable (Y) partially. The formula for calculating the t test proposed by Norfai (2021:167-168) is as follows: t = [a; (df = n-k)] Note: n = Sample k = Research variables a = Significance level The basis for decision making includes: a. If tcount < ttable, then the independent variable has no effect on the dependent variable b. If tcount > ttable, then the independent variable has an effect on the dependent variable.

The t test can also be carried out by looking at the significance value of the variables in the output of the regression results using SPSS with a P significance level of 0.05 (a = 5%). If the significance value is greater than a then the hypothesis is rejected (the regression coefficient is not significant), which means the independent variable does not have a significant influence on the dependent variable. If the significant value is smaller than a then the hypothesis is accepted (the regression coefficient is significant), which means the independent variable has a significant influence on the dependent variable.

Coefficient of Determination Test (r2). The coefficient of determination shows how much influence the independent variable has in explaining the dependent variable. The r2 value is between zero and one ($0 \leq r2 \leq 1$). An r2 value that is close to zero indicates that the independent variable has a low ability to explain the dependent variable, while an r2 value that is close to one indicates that the independent variable has a high ability to explain the dependent variable. According to Sahir (2021:54) the coefficient of determination formula is: KP = r2 x 100% Where: KP = Coefficient of determination r2 = Correlation xy found.

III. RESULTS AND DISCUSSION

Surat Edaran Otoritas Jasa Keuangan No. 11/SEOJK.03/2022 stipulates that ROA is very good if it is more than 2% and ROA is said to be poor if it is below 0.5%. Banks that have ROA values greater than 2% are BBCA (2020 & 2022), BBHI (2021-2022), BBMD, BBRI (2022), BBSI, BMRI (2022), and MEGA. The bank with the highest ROA value among the banks above is BBHI in 2021, the reason is because of the surge in net profit supported by significant growth in interest income, in addition, allo bank has succeeded in reducing the non-performing loan ratio, thus reflecting improvements in credit quality and better risk management (Bisnis.com, 2021) (Bisnis.com 2022).

Banks that have ROA values below 0.5% are BABP, BACA BBCA (2021), BBNI (2020), BBTN (2020), BGTG (2020-2021), BINA (2020-2021), BNBA, BNLI (2020), BSIM, DNAR, MAYA, MCOR (2020-2021) and NOBU. The bank with the lowest ROA value among the banks above is MAYA in 2022, the cause is due to increased operational costs and credit provisions which result in increased costs. In addition, the quality of bank assets also contributes, with an increase in the credit ratio causing a decrease in profitability (Tren Asia, 2023).

The amount of LDR according to Peraturan Bank Indonesia (PBI) No.17/11/PBI/2015 is 78-92%. The LDR standard in the range of 78-92% means that banks are expected to channel loans of 78% to 92% of the total deposits they have.

Banks that have an LDR of more than 92% are BBHI in 2021-2022, BBSI, BDMN in 2022, BJBR in 2020 & 2022, BNII in 2022, BTPN, DNAR and SDRA. The bank with the highest LDR value among the banks above is BBSI in 2022. The increase in LDR is due to faster credit growth compared to third party funds which are still growing at a slower rate (Bisnis.com, 2022). Banks that have an LDR of more than 92% will have difficulty in meeting their short-term obligations and withdrawals of funds made by customers, because most of the funds collected from deposits have been distributed as loans, leaving minimal liquidity reserves.

Banks that have LDR below 78% are BABP, BACA, BBCA, BBMD in 2020-2021, BGTG, BINA in 2020-2021, BJTM, BMAS in 2021, BNBA, BNGA in 2021, BNII in 2021, BSIM, MAYA in 2020-2021, MCOR in 2021, MEGA, NISP in 2020-2021 and NOBU in 2020-2021. The bank with the lowest LDR value among the banks above is BACA in 2021. This decrease in LDR is due to banks saving more funds in the form of deposits than distributing them in the form of loans (Kontan.co.id, 2022). This low LDR indicates the ineffectiveness of the bank's function as an intermediary institution and will make the potential income from credit even lower and have an impact on decreasing income and profits.

1. Simple Linear Regression Analysis

Simple linear regression is used in this research to measure the effect of Liquidity (LDR) on profitability. This analysis was carried out using SPSS version 29. Below are presented the results of simple linear regression calculations.

Table 1. Simple linear regression

Coefficient						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	,564	.041		13,833	,000
	Liquidity (LDR)	,006	,000	,855	15,434	,000
a. Dependent Variable: Profitability						

Source: SPSS version 29, 2024 (processed data)

2. T test

The T test is used to test hypotheses and determine how significant the influence of liquidity (LDR) is on profitability in conventional commercial banks listed on the Indonesia Stock Exchange. To determine the effect of liquidity (LDR) on profitability through the t test, you need to compare the significant value smaller than 0.05 or 5% (a = 0.05) and if tcount > ttable then the hypothesis is accepted and if tcount <ttable then the hypothesis is rejected.

Table 2. T Test Results

Coefficient						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	,564	.041		13,833	,000
	Liquidity (LDR)	,006	,000	,855	15,434	,000
a. Dependent Variable: Profitability						

Source: SPSS version 29, 2024 (processed data)

Table 2 above shows that the effect of liquidity (LDR) tested on profitability shows that the t value is 15.434 with a variable significance value of 0.000 and t table is 1.658 with a significance rate of a = 0.05. These data show that tcount > ttable or 15.434 > 1.658 with a significance level of 0.000 < 0.005, so the hypothesis is accepted. Thus, these results indicate that liquidity (LDR) has a significant and positive influence on profitability in conventional banks listed on the Indonesia Stock Exchange in 2020-2022.

3. Coefficient of Determination Test (r^2)

The coefficient of determination is essentially used to measure the ability of the independent variable, namely liquidity (LDR), in explaining the dependent variable, namely profitability. The results of calculating the coefficient of determination can be seen in the following table.

Table 3. Coefficient of Determination Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.855a	,730	,727	.17720
a. Predictors: (Constant), Liquidity (LDR)				
b. Dependent variable: Profitability				

Source: SPSS version 29, 2024 (processed data)

Based on table 3 above, the SPSS "Model Summary" output shows that the value of the coefficient of determination (r2) square is 0.730 or equal to 73%. This figure means that liquidity (LDR) influences profitability by 73%, while the remaining 27% (100%-73%) is influenced by other variables outside this research.

The test results with (t test) show that tcount > ttable or 15.434 > 1.658 with a significance level of 0.000 < 0.005. This shows that the higher the LDR value, the ROA value will increase. So it can be concluded that the hypothesis that has been formulated is accepted, meaning that the liquidity variable has a positive and significant effect on profitability in conventional banks.

IV. CONCLUSION

1. Based on the results of the analysis and discussion that has been carried out, liquidity (LDR) has a positive

and significant effect on profitability with the analysis results as follows:

2. Based on simple linear regression analysis, liquidity (LDR) has a positive effect on profitability in conventional banks listed on the Indonesia Stock Exchange in 2020-2022.
3. The results of the hypothesis test showed that tcount > ttable or 15.434 > 1.658 and a significant value of 0.000 < 0.005, which means that liquidity (LDR) has a positive and significant effect on profitability in conventional banks listed on the Indonesia Stock Exchange in 2020-2022. So the hypothesis is accepted.
4. The coefficient of determination (R2 test) obtained a result of 0.730, which means that liquidity (LDR) has an influence of 73% on profitability and the remaining 27% is influenced by other variables outside this research.
5. Banks can develop more effective fund management strategies so that banks can adjust the loan to deposit ratio to achieve an optimal balance between liquidity and profitability.
6. Investors consider investment diversification in banks that show healthy and consistent LDR with stable profitability. Diversification can reduce investment risk and maximize profit potential.

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