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## The Effect of Loan To Deposit Ratio on Return On Assets at PT. Permata Bank, TBK Period 2010-2020

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### **ABSTRACT**

*This study aims to determine the effect of the Loan to Deposit Ratio on Return on Assets at PT. Permata Bank, Tbk. The method used is explanatory research. The analysis technique uses statistical analysis with regression, correlation, determination, and hypothesis testing. The results of this study, the Loan to Deposit Ratio variable, obtained an average value of 83.73%. The Loan to Deposit Ratio variable received an average value of 2.68%. Loan to Deposit Ratio has a positive and significant effect on Return on Assets with a regression equation value of  $Y = -6.493 + 0.110X$ . A correlation coefficient value of 0.747 or has an extreme relationship level with a correlation coefficient level determination value of 55.8%. Hypothesis testing obtained a significance of  $0.000 < 0.05$ .*

*Keywords: loan to deposit ratio, loan to deposit ratio.*

### **INTRODUCTION**

A bank is an institution engaged in services that provide financial assistance for all circles of society. Its primary function is to collect funds from the public and distribute funds to the community for various purposes or financial intermediaries. Public trust is crucial for companies, including banks, because a high level of public trust will make people interested in collecting their funds from the bank.

In analyzing the financial performance of banks, especially profitability, financial ratio analysis can be carried out such as the Capital Adequacy Ratio (CAR), Loan to Deposit Ratio (LDR), Non Performing Loans (NPL), Operating Income Operating Costs (BOPO), Net Interest

Margin (NIM), Third Party Funds (DPK), Financing to Deposit Ratio (FDR) and so on.

The dependent variable (Variable Y) in this study is the aspect of profitability as measured by ROA. Loan to Deposit Ratios (ROA) is a ratio that shows the results of the total assets used in the company (Kasmir, 2014). ROA is measured by its ability to generate profits with its assets (Husnan and Pudjiastuti, 2006:74). Thus, Loan to Deposit Ratios is a ratio that shows the results of the number of assets used in the company or a measure of management efficiency. ROA shows the results of all controlled purchases regardless of funding sources. Usually, the ROA value is presented in the form of a percentage.

The main objective of bank operations is to obtain a high level of profitability. Profitability is the net result of many company policies and

decisions (Lukitasari & Kartika, 2015). Profitability used in this study is ROA (Loan to Deposit Ratio) because ROA is essential for banks to measure the company's effectiveness in generating profits related to the availability of company assets. The greater the ROA value, the greater the level of profit achieved by the bank.

Profitability is one of the factors to assess the good or bad performance of the company. Loan

to Deposit Ratios (ROA) is a profitability ratio used to measure its effectiveness in generating profits by utilizing its total assets. The factors that can affect the profitability of a company include the Loan to Deposit Ratio (CR), Total Assets Turnover (TATO), Debt To Equity Ratio (DER), Debt Ratio (DR), Sales Growth, and Company Size. This study uses LDR as the factor that affects profitability.

**Table 1. Value of Loan Deposit Ratio and Return on Assets of PT. Permata, Tbk 2010-2020**

Year	LDR	ROA
2010	81.82%	1.72%
2011	90.61%	3.98%
2012	87.53%	1.92%
2013	83.13%	1.74%
2014	89.52%	2.72%
2015	75.26%	1.65%
2016	99.84%	5.23%
2017	88.85%	3.27%
2018	80.52%	3.93%
2019	71.56%	1.21%
2020	72.45%	2.15%
Average	83.74%	2.68%

Based on the data in the table above, the achievement of the Loan deposit ratio (LDR) of PT. Permata Bank Tbk in 2010-2020 fluctuated. The lowest achievement was achieved in 2017, which only reached 1.11%, and the highest achievement occurred in 2011, which was able to get 5.54%. On average, it is achieved 83.74% per year.

Meanwhile, as measured by Return on Assets (ROA), profitability shows that the achievements in 2010-2020 also fluctuated. The lowest achievement was achieved in 2019, which only reached 1,121, and the highest achievement occurred in 2016, which was able to get 5.238%. On average, it is 2.68% per year.

In addition to the above phenomena, this research is also motivated by a research gap from previous researchers who examined the factors that affect Financial Performance.

Liquidity measurement using the LDR ratio measurement or Loan to Deposit Ratio studied by Defri (2012) and Buchory (2014) concluded that LDR or Loan to Deposit Ratio had a significant positive effect on profitability. Meanwhile, Hariemufi (2015) concluded that LDR had no significant impact on profitability.

With the phenomena that occur and the research gaps that happened in previous researchers regarding the inconsistent findings of the factors that affect the financial performance of banks. Therefore, on this basis, researchers are interested in conducting research again and re-examining the "Effect of Loan to Deposit Ratio (LDR) on Return on Assets (ROA) at PT. Permata Bank, Tbk Period 2010-2020".

## METHOD

The type of research used is associative. The aim is to find out the relationship between the independent and dependent variables—the population in this study the financial statements of PT. Permata Bank, Tbk for 11 years. In comparison, the sampling technique in this study is a saturated sample, where all population members are used as samples. Thus the example in this study is the financial statements of PT. Permata Bank, Tbk for 11 years. In analyzing the

data, used validity test, reliability test, simple linear regression analysis, correlation coefficient, coefficient of determination, and hypothesis testing.

## RESULT and DISCUSSION

### 1. Descriptive Analysis

This test is used to determine the minimum and maximum scores, the highest scores, the rating scores, and the standard deviation of each variable. The results are as follows:

**Table 1. Results of Descriptive Statistics Analysis**

	Descriptive Statistics				
	N	Minimum	Maximum	mean	Std. Deviation
Loan to Deposit Ratio	11	71.56	99.84	83.7355	8.61653
Return On Assets	11	1.21	5.23	2.6836	1.26452
Valid N (listwise)	11				

The Loan to Deposit Ratio achievement obtained a minimum value of 71.56% and a maximum value of 99.84%, with an average of 83.73% with a standard deviation of 8.61%.

Meanwhile, the achievement of Return on Assets obtained a minimum value of 1.21% and a maximum value of 5.23% with an average of 2.68% with a standard deviation of 1.26%.

### 2. Verification Analysis.

This analysis is intended to determine the effect of the independent variable on the dependent variable. The test results are as follows:

#### a. Simple Linear Regression Analysis

This regression test is intended to determine changes in the dependent variable if the independent variable changes. The test results are as follows:

**Table 2. Simple Linear Regression Test Results**

Model	Coefficients				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-6.493	2,737		-2.372	.042
Loan to Deposit Ratio	.110	.033	.747	3.368	.008

a. Dependent Variable: Return On Asset

Based on the test results in the table above, the regression equation  $Y = -6.493 + 0.110X$  is obtained. From these equations, it is explained as follows:

1) A constant of -6.493 means that if the Loan to Deposit Ratio does not exist, there is a Return on Assets value of -6.493 points.

2) The Loan to Deposit Ratio regression coefficient is 0.110. This number is positive, meaning that every time there is an increase in

the Loan to Deposit Ratio of 0.110 points, the Return on Assets will also increase by 0.110 points.

The correlation coefficient analysis is intended to determine the solid relationship of the independent variable to the dependent variable either partially or simultaneously. The test results are as follows:

**b. Correlation Coefficient Analysis**

**Table 3. Results of the Loan to Deposit Ratio Correlation Testing Against Return on Assets.**

		Correlations	
		Loan to Deposit Ratio	Return On Assets
Loan to Deposit Ratio	Pearson Correlation	1	.747**
	Sig. (2-tailed)		.008
Return On Assets	Pearson Correlation	.747**	1
	Sig. (2-tailed)	.008	

\*. Correlation is significant at the 0.05 level (2-tailed).  
 b. Listwise N=11

**c. Coefficient of Determination Analysis**

The coefficient of determination analysis is intended to determine the percentage of the

influence of the independent variable on the dependent variable. The test results are as follows:

**Table 4. Results of the Coefficient of Determination of Loan to Deposit Ratio on Return on Assets.**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.747a	.558	.509	.88650

a. Predictors: (Constant), Loan to Deposit Ratio

Based on the test results, the determination value is 0.558, meaning that the Loan to Deposit Ratio has an influence contribution of 55.8% on Return on Assets. In comparison, other factors influence the remaining 44.2%.

**d. Hypothesis testing**

Hypothesis testing with a t-test is used to find out which hypothesis is accepted.

Hypothesis formulation: There is a significant effect between Loan to Deposit Ratio on Return on Assets.

**Table 5. Results of the Loan to Deposit Ratio Hypothesis Testing on Return on Assets.**

		Coefficients				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	
1	(Constant)	-6.493	2,737		-2.372	.042
	Loan to Deposit Ratio	.110	.033	.747	3.368	.008

a. Dependent Variable: Return On Asset

Based on the test results in the table above, the value of t arithmetic > t table or (3.368 > 2.262), thus the hypothesis that is proposed that

there is a significant influence between Loan to Deposit Ratio on Return on Assets is accepted.

## Discussion of Research Results

### 1. Condition of Loan to Deposit Ratio Value

Based on empirical data and data analysis, the Loan to Deposit Ratio variable obtained an average value per year of 83.73%.

### 2. Condition of Return on Assets

Based on empirical data and data analysis, the Return on Assets variable obtained an average value per year of 2.68%.

### 3. Effect of Loan to Deposit Ratio on Return on Assets

Loan to Deposit Ratio has a significant effect on Return on Assets with the regression equation  $Y = -6.493 + 0.110X$ , the correlation value is 0.747 or has a strong relationship with the contribution of 55.8%. In comparison, other factors influence the remaining 44.2%. Testing the hypothesis obtained the value of  $t$  arithmetic  $>$   $t$  table or ( $3.368 > 2.262$ ). Thus the theory proposed that there is a significant effect

between Loan to Deposit Ratio to Return on Assets received.

## CONCLUSION

The conclusions in this study are as follows:

a. The condition of the Loan to Deposit Ratio variable based on the 11 years financial reporting period obtained an average Loan to Deposit Ratio of 83.73%.

b. The condition of the Loan to Deposit Ratio variable based on the 11 years financial reporting period obtained an average Loan to Deposit Ratio of 2.68%.

c. Loan to Deposit Ratio has a significant effect on Return on Assets with the regression equation  $Y = -6.493 + 0.110X$ , the correlation value is 0.747 or firm, and the contribution of the influence is 55.8%. In comparison, other factors influence the remaining 44.2%. Hypothesis test obtained value of  $t$  count  $>$   $t$  table or ( $3.368 > 2.262$ ).

The suggestions in this study are as follows:

a. The bank management should pay more attention to liquidity and maintain the balance of

the company's capital in the bank and further increase the acquisition of money in its activities.

b. The LDR level has not yet reached the standard set by the company. Presumably, the banking sector needs to consider aspects of the operational costs incurred and increase the incoming income again to minimize the risk of a banking company.

c. For further researchers, it is recommended to conduct research outside of the independent variables used in this study or combine one of the variables in this study with other variables outside the variables in this study to obtain more varied results that can describe what things can effect on Return on Assets.

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