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Impact of Internet Banking on the Financial Performance of Indonesian Banking

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Abstract

This research aims to identify variables that influence bank performance in banking companies listed on the Indonesia Stock Exchange. The addition of the capital adequacy ratio variable as an independent variable is a novel part of this research. This research method includes collecting data from 22 banking companies over a five year period (2019-2023) with a total of 110 data that meet the criteria by applying data processing analysis using panel data regression analysis techniques. The results of this research show that (1) The internet banking variable has a positive and significant influence on financial performance. (2) The loan to deposit ratio variable has no significant effect on financial performance. (3) The bank size variable has a positive and significant effect on banking return on assets (4) The capital adequacy ratio variable has no significant effect on banking return on assets.

Keywords: Financial Performance, Internet Banking, Loan To Deposit, Capital Adequacy Ratio, Bank Size.

INTRODUCTION

The sophistication of today's digital technology has made major changes to the world, including in the world of finance. Financial Technology (fintech) has emerged and developed along with changes in people's lifestyles which are currently dominated by users of information technology, with the demands of a fast-paced life. The use of fintech can maximize financial product services, including storage systems, investments, payments and buying and selling transactions to be more effective and efficient. The fintech industry in Indonesia has shown rapid development since 2018. With the development of fintech in Indonesia, the government must respond by providing regulations and legal umbrellas that provide more certainty for the industry, to an increasingly good level of financial literacy. (Kristianti & Tulenan, 2021).

The dynamic development of information technology requires business actors to be responsive to all forms of change that occur. In line with the rapid development of technology, the financial services industry such as banks has also transformed its business processes by providing easy access to banking services through electronic banking transaction services. The Financial Services Authority stated that electronic banking or commonly abbreviated as ebanking, began its development through the procurement of Automated Teller Machines (ATMs) with the main service being cash withdrawals. Continued with Electronic Data Capture (EDC) which is used for customer payment transactions. Then, with the development of the internet network, it has driven banks to add their services through internet banking. Furthermore, the application of digital technology will follow economic theory which explains that technological advances lead to increased productivity and encourage company efficiency. Efficient and productive companies will increase their ability to compete and dominate the market. However, in practice, each bank has its own perspective regarding

the urgency of the digital banking phenomenon. This of course affects their competitiveness where banks make digital strategies an important strategy (Alfatihah & Sundari, 2021).

Internet banking refers to a range of financial services delivered through digital channels. In essence, it allows customers to access and use financial services through mobile phones, computers, Point of Sale (POS) terminals, and Automated Teller Machines (ATMs). Through electronic payments, individuals can easily transfer funds, settle bills, and make purchases from the comfort of their homes or while shopping with minimal physical interaction. Internet banking facilitates a fast and secure method for governments to reach vulnerable groups through social transfers and other financial assistance packages, especially during periods of restricted mobility or unsafe travel conditions. The relationship between Internet banking and bank profitability has been widely explored in the literature. Arguing the relevance of Digital Insights (DI) through internet banking applications, citing several benefits to customers (Sayari, 2024). The relationship between financial performance and profitability in the banking sector is diverse and very influential. Therefore, effective management of these factors is very important for banks that want to improve their financial performance and profitability indicators (Evoney & Margaretha, 2024).

Based on the different phenomena and research gaps, this study will focus on testing the "Impact of Internet Banking on the Financial Performance of Indonesian Banking". This study adds a new variable, namely the Capital Adquicy Ratio variable Adequate, with reference to previous researchers finding results that the liquidity ratio factor has a positive effect on banking financial performance (Singh, 2024). This study provides a significant contribution to the understanding of the banking sector, especially internet banking on banking financial performance or banking profitability. This researcher expands the previous theoretical discussion by using calculations such as Return on Assets (ROA) and Return on Equity (ROE) to quantitatively assess the impact of internet banking on banking financial performance.

LITERATURE REVIEW

Financial Performance

Financial performance is an achievement obtained by a company in a certain period which is described through the health condition of its financial report. According to him, financial performance is an analysis of the company's financial position report in a certain period, to find out how efficient and effective a company is in generating income. (Winarto & Dewi, 2019). Financial performance has many aspects, but economists usually focus on only three main aspects: efficiency, technological progress, and distribution balance. In simple terms, the calculation of efficiency is to produce maximum value with a certain amount of input, both quantitatively physical and economical. Financial performance is the result achieved by a company in a certain period, which reflects how healthy the company is. In contrast to this view, there are also those who state that financial performance is an analysis carried out to assess the extent to which a company has implemented financial rules and practices appropriately and accurately. Financial performance reflects the financial condition of a company and is an indicator of success or achievement in maintaining its financial health and stability. This is achieved by implementing good and correct financial rules and practices during a certain period (Buntu, 2023). This study provides important knowledge on the influence of internet banking on bank profitability, thereby influencing bank financial performance as measured by ROA and ROE (Sayari, 2024).

Internet Banking

Internet Banking refers to a range of financial services delivered through digital channels (Sayari, 2024). Internet banking is a service activity where all banking transactions are carried out via the internet or online. It is a

banking activity using Internet technology as a medium for making transactions and obtaining other information through the Bank's website (Kiswara & Rusdi, 2022). Internet banking is one of the prominent alternatives because it simplifies transaction services. The emergence of internet banking is caused by several forces such as consumer expectations, technological push and economic benefits, so that with the availability of digital devices, customers expect smooth multichannel services for banking services (Ghose & Maji, 2022).

Loan to Deposit

Loan to Deposit Ratio (LDR) is a ratio used to measure the composition of the amount of credit given compared to the amount of public savings and equity used. LDR shows the extent to which the bank is able to meet the withdrawal of funds by depositors by relying on credit distributed as a source of liquidity (Putri, Kusno, & Parasi, 2022). A high LDR value shows the level of credit disbursed, so if the LDR ratio is high, the number of installments disbursed will also increase, which will generate bank income (Prayogi, 2024). Banks that experience conditions where they are unable to fulfill their obligations regarding funds collected from customers (illiquid) will have difficulty regaining the public's trust to deposit funds, so that operations in providing credit will be disrupted and have an impact on the high and low levels of banking profitability (Yunita, Hapsari, & Nurdiansyah, 2022).

Bank size

Bank size is the scale of business owned by a bank that can affect the level of profitability of a bank. The size of a bank can be seen from its total assets. Banks with high assets have the possibility to form a more diversified asset portfolio so that banks have the opportunity to reduce risk and increase bank profitability (Ekinci & Poyraz, 2019). The larger the bank, the greater the amount of profit it will get (Pertiwi & Susanto, 2019). The size of a bank also reflects its ability to develop and survive in the face of change, because a larger bank size has the potential to enable the bank to develop a business portfolio strategy (Pratiwi, Jummaini, Yanita, & Ristati, 2023).

Capital Adequacy Ratio

Capital Adequacy Ratio (CAR) is a bank's performance ratio that is used as a measuring tool to see the adequacy of capital owned by the bank to support assets that have or give rise to risks, such as loans to customers (Yunita, Hapsari, & Nurdiansyah, 2022). The higher the CAR value indicates that the bank has good performance. This is because the bank's equity is considered capable of covering the reduction in assets caused by the risk of loss originating from assets containing or generating risk (Damayanti & Mawardi, 2022). The issue of capital adequacy is an important thing in the banking business. Banks that have a good level of capital adequacy show indicators such as healthy banks. Based on Bank Indonesia Regulation, the minimum capital adequacy that must be met by each bank is 8% (PBINo.15/12/PBI/2013 concerning the Obligation to Provide Minimum Capital for Commercial Banks) (Oktaviani, Suyono, & Mujiono, 2019).

Conseptual Framework

According to Ghose and Maji (2022), internet banking has a positive influence on financial performance using data from 67 banks in India. Based on the research results (Putri, Kusno, & Parasi, 2022), The Loan to Deposit Ratio (LDR) value will affect bank income, where the higher the LDR value, the amount of installments distributed will also increase. The results of research conducted by Anastasya & Susilowati (2021), on public sector banks versus private sector banks in India, showed that bank size has a significant effect on Return on Assets (ROA). The results of research conducted by Singh (2024), on public sector banks versus private sector banks in India showed that the Capital Adequacy Ratio (CAR) has a positive effect on bank profitability (ROA) in private sector banks

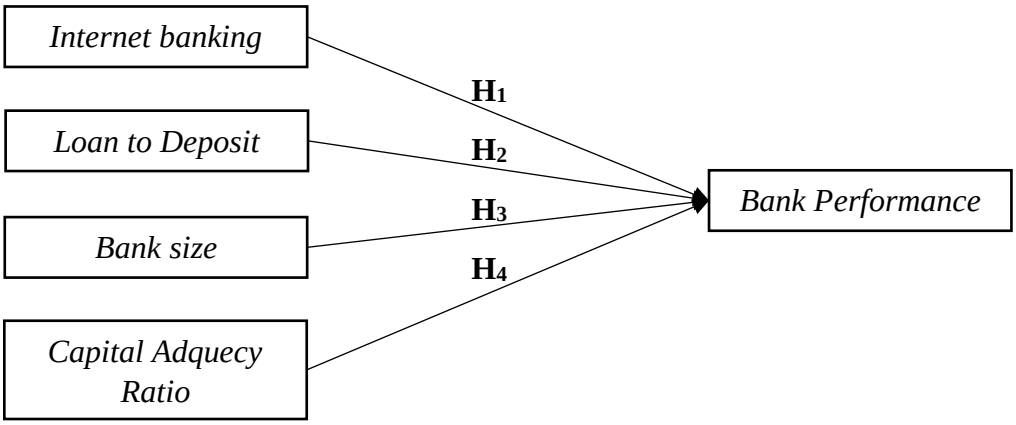

Figure 1. Conseptual Framework image

Hypothesis Development

The influence of Internet Banking on bank financial performance

Based on research by Ghose and Maji (2022) using data from 67 commercial banks operating in India over a 9-year period to test the impact of internet banking intensity on volume and value performance, internet banking has an increasing influence on bank profitability. According to Ashiru, Balogun, & Paseda, (2023) internet banking has a positive influence on financial performance, customer satisfaction on the internet is one of the most common things in the literature on the internet. This is in line with research conducted by Gaudio, Porzio, & Sampagnaro (2021), which has a positive effect on banking financial performance. **H_1**: Internet banking has a positive effect on banking financial performance.

The influence of Loan to Deposit on bank financial performance

Research results Putri, Kusno, & Parasi, (2022) Loan to Deposit has a positive effect on banking financial performance. A high LDR value shows the level of credit disbursed, so if the LDR ratio is high, the amount of installments disbursed will also increase, which will generate bank income. Meanwhile, research conducted by Ini shows that the addition of credit disbursed has an impact on increasing bank profitability (Prayogi, 2024). Loan to Deposit Ratio has a positive influence on financial performance (ROA) (Oktavani, Mujiyono, & Suyono, 2019). **H_2**: Loan to Deposit has a positive effect on banking financial performance.

The influence of Bank size on bank financial performance

Banks that are larger in size will also get a larger amount of profit, so according to Pertiwi & Susanto (2019), bank size has a significant influence on banking financial performance. Based on research conducted by Aritonang & Rahardja (2022), it was revealed that size has a positive effect on ROA. The results of research conducted by Anastasya & Susilowati (2021), on public sector banks versus private sector banks in India showed that bank size has a significant influence on Return on Assets (ROA). **H_3**: Bank size has a positive effect on banking financial performance.

The influence of Capital Adequacy Ratio on bank financial performance

Several studies have used the Capital Adequacy Ratio (CAR) as a variable in measuring the influence on company profitability. The results of a study conducted by Erviani, Fatimah, & Lestari (2021), on commercial banks in Indonesia showed that the Capital Adequacy Ratio had a significant positive effect on bank profitability (ROA). The results of a study conducted by Anatasya and Susilowati (2021), on conventional banks in Indonesia showed that the Capital Adequacy Ratio had a positive effect on bank profitability (ROA). The results of a study conducted by Singh (2024), on public sector banks versus private sector banks in India showed that the

Capital Adequacy Ratio had a positive effect on bank profitability (ROA) in private sector banks.
H_4: Capital Adequacy Ratio has a positive effect on banking financial performance.

RESEARCH METHODOLOGY

Variables and Measurement

The measurement of each variable used in this study aims to determine the relationship between the independent variables and the dependent variable. The independent variables in this study are internet banking, loans to deposit, bank size, capital adequacy ratio, while the dependent variable is financial performance as measured by Return on Asset (ROA) and Return on Equity (ROE). The measurement of each variable is as follows:

Table 1. Definition and Measurement of Variables

Type Variables	Variabel Name	Proxy	Symbol	Formula	Reference
Dependent Variable	Financial Performance	Return on assets	ROA	$\frac{Net\ income}{Total\ asset}$	Necib & Lafi (2024)
		Return on equity	ROE	$\frac{Earmig\ After\ Tax}{Total\ Equity}\ x\ 100\%$	Necib & Lafi (2024)
Independent Variable	Internet Banking	Internet Banking	INB	Total Internet Banking transactions	Necib & Lafi (2024)
		Loan to Deposit	LDR	$\frac{amount\ of\ credit\ given}{Third-party\ funds}$	Ramadana, (2022)
		Bank Size	SIZE	Ln (Total Asset)	Necib & Lafi (2024)
		Capital Adequacy Ratio	CAR	$\frac{Capital}{Risk\ Weighted\ Assets}\ x\ 100$	Rahman, Setiadi, & Rahayu (2022)

Sampling Method

In this study, the sampling method used was purposive sampling. The selection of this method is based on considerations that focus on certain objectives. In other words, the sample in this company is a company that has met the specified requirements. The criteria underlying the selection of data as a research sample are as follows:

1. Conventional banks listed on the Indonesia Stock Exchange for the period 2019-2024.
2. Conventional banks with complete data related to the variables used in this study.
3. Banking companies with good financial performance during the period 2019-2024.

Tabel 2. Sampling Criteria

Keterangan	Jumlah
Banking companies listed on the Indonesia Stock Exchange for the period 2019-2024	47
Banks whose data is incomplete in this study	(15)
Banking companies with ungreat financial performance during the period 2019-2024	(7)

Companies that are worthy of being samples	20
Total data used for research	100

The following are the steps for testing the regression model in this study:

Chow Test

There are two possible outcomes of the Chow test, namely common effect or fixed effect. The Chow test can be used in this study to determine which model is more effective and acceptable. The Chow test is based on two hypotheses, namely the null hypothesis that there is no individual heterogeneity and the alternative hypothesis that there is heterogeneity in the cross-section. individuals and alternative hypotheses that there is heterogeneity in the cross section. In this test, the following hypotheses are made:

H_o: The correct model to use is common effect model.

H_a: The correct model to use is fixed effect model.

Table 3. **Uji Chow**

Dependen Variabel	Chi-Square	Probability	Desicion
ROA	103.912898	0.0000	H_0 rejected , Fixed Effect selected
ROE	85.146977	0.0000	H_0 rejected, Fixed Effect selected

Source: Data processing using E-views

Based on the Chow test table, for both models, the results show that the cross-section probability value of the chi-square is 0.0000 < 0.05 for the ROA model and 0.0000 < 0.05 for the ROE model. This means that the decision obtained is that H0 is rejected so that the fixed effect model is better than the usual effect model.

Hausman Test

The Hausman test produces two possible results, namely random effects or fixed effects. This study uses the Hausman test to assess the accuracy and quality of the model. In addition, the purpose of the Hausman test is to determine whether the characteristics of each model have heterogeneity.

Table 4. **Uji Hausman**

Dependent Variable	Chi-Sq. Statistic	Probability	Desicion
ROA	4.499840	0.3426	H_0 rejected, random effect selected
ROE	8.248343	0.0829	H_0 rejected, random effect selected

Source: Data processing using E-views

Based on the results of the Hausman test, the results show that the cross-section profitability value of the statistic is 0.3426 <0.05 for the ROA model and 0.0829 <0.05 for the ROE model. Therefore, the decision obtained is to fail to reject H0 for the ROA model and the ROE model, so that for the ROA and ROE models the random effect is better than the fixed effect. Because the Hausman test gets a decision to fail to reject H0 for the ROA and ROE models, it is necessary to conduct an LM Test.

LM Test

The Lagrange Multiplier test helps determine the best model in a study, between the common effect model or the random effect model. If the probability of the one-side Breusch Pagan cross-section is less than 0.05, then the random effect model is more suitable for this study because the null hypothesis is rejected. However, if the probability of the one-

side Breusch Pagan cross-section is more than 0.05, then the common effect model is more suitable for this study because the null hypothesis is accepted.

Table 5. **Uji Lagrange Multiplier**

Dependent Variable	Chi-Sq. Statistic	Probability	Desicion
ROA	53.93744	0.0000	H_0 rejected, random effect selected
ROE	31.45918	0.0000	H_0 rejected, random effect selected

Source: Data processing using E-views

Based on the table of the Hausman test results, both models show that the profitability value of the statistics is 0.0000 <0.05 for the ROA model and 0.0000 <0.05 for the ROE model. Based on these results, the decision obtained is that H0 is rejected for the ROA and ROE models. Therefore, the right model for ROA and ROE is random effect.

Data Analysis Method

Uji Goodness of Fit (R^2)

This test aims to determine how much the contribution of the influence of the independent variable on the dependent variable is, provided that the results of the F test in the regression analysis are significant. The R^2 value is between 0 and 1 (0 <R^2> 1), where if the value approaches 1, the independent and dependent variables have a closer relationship. If there are more than two variables, then the adjusted R^2 value is used.

Table 6. **Goodness of Fit Result**

Dependent Variable	Model	R-Squared	Adjusted R-Squared
ROA	Prob(F-Statistic)	0.175683	0.140975
ROE	Prob(F-Statistic)	0.097877	0.059893

Source: Data processing using E-views

Based on the table above, for ROA, the adjusted R^2 value of 0.140975 indicates that around 14.10% of the variation in Return on Assets (ROA) can be explained by the independent variables included in the model. The remaining 95.90% of the variation can be explained by other factors that are not modeled. This indicates that the model does not yet have a good ability to explain the relationship between independent variables and ROA.

Meanwhile, for ROE, the adjusted R2 value of 0.097877 indicates that around 9.79% of the variation in Return on Equity (ROE) can be explained by the independent variables in the model. The remaining 90.21% is explained by other factors that are not modeled. This also shows that the model does not yet have a good ability to explain the relationship between independent variables and ROE.

Uji Serentak (uji F)

This test aims to evaluate whether there is a significant simultaneous influence of independent variables on the dependent variable. If the significance value (sig) of the F test is less than 0.05, it indicates that, simultaneously, the independent variables have a significant influence on the dependent variable, and therefore, the regression model is considered feasible to use. However, if the sig value of the F test is greater than 0.05, it indicates that, simultaneously, the independent variables do not have a significant influence on the dependent variable, so the regression model is not feasible to use.

Table 7. **F Test Result**

Effects Test	Prob.	Hypothesis	Conclusion

ROA	0.0000	H_0 rejected	Have a significant impact
ROE	0.0000	H_0 rejected	Have a significant impact

Source: Data processing using E-views

From the test results on both models, it was found that the F-statistic value for profitability was 0.000000, which is lower than the alpha value commonly used (0.05). Therefore, based on this analysis, it can be concluded that simultaneously the independent variables have a significant effect on ROA and ROE as dependent variables. As a result, the regression model used is considered feasible for this study.

RESULT AND DISCUSSION

Descriptive Statistical Analysis

From the results of descriptive statistical testing for financial performance (ROA), the mean value is 0.0140 with a standard deviation value of 0.0100. The minimum value of 0.000002 is owned by PT Bank Mayapada Internasional Tbk (MAYA) in 2023. Meanwhile, the maximum value of 0.0410 is owned by PT Allo Bank Indonesia Tbk (BBHI) in 2021.

From the results of descriptive statistical testing for financial performance (ROE), the mean value is 0.0890 with a standard deviation value of 0.0600. The minimum value of 0.000001 is owned by PT Bank Mayapada Internasional Tbk (MAYA) in 2023. Meanwhile, the maximum value of 0.2950 is owned by PT Bank Negara Indonesia (Persero) Tbk (BBNI) in 2022.

From the results of descriptive statistical testing for Internet Banking (INB), the mean value was obtained at 10.8880 with a standard deviation value of 8.5720. The minimum value of 1.0340 was owned by PT Bank Pembangunan Daerah Jawa Barat Tbk (BJBR) in 2023. Meanwhile, the maximum value of 31.6160 was owned by PT Bank Rakyat Indonesia (Persero) Tbk (BBRI) in 2023.

Loan to Deposit (LDR) obtained a mean value of 1.1800 with a standard deviation value of 1.0480. The minimum value of 0.3780 was owned by PT Bank Multiarta Sentosa Tbk (MASB) in 2021. Meanwhile, the maximum value of 6.2120 was owned by PT Bank Mandiri (Persero) Tbk (BMRI) in 2019.

Bank size (SIZE) obtained a mean value of 20.9280 with a standard deviation value of 4.2490. The minimum value of 15.8400 was owned by PT Bank Maspion Indonesia Tbk (BMAS) in 2019. Meanwhile, the maximum value of 30.9410 was owned by PT Bank Multiarta Sentosa Tbk (MASB) in 2023.

Capital Adequacy Ratio (CAR) obtained a mean value of 0.2710 with a standard deviation value of 0.1290. The minimum value of 0.1080 was owned by PT Bank Mayapada Internasional Tbk (MAYA) in 2023. Meanwhile, the maximum value of 0.8340 was owned by PT Allo Bank Indonesia Tbk (BBHI) in 2023.

Table 8. **Descriptive Statistics**

Variabel	Mean	Median	Maximum	Minimum	Std. Dev.
ROA	0.014	0.013	0.041	0.000002	0.010
ROE	0.089	0.084	0.295	0.000001	0.060
INB	10.888	7.956	31.616	1.034	8.572
LDR	1.180	0.870	6.212	0.378	1.048
SIZE	20.928	19.398	30.941	15.840	4.249

CAR	0.271	0.237	0.834	0.108	0.129

Source: Data processing using E-views

Individu Test (Uji T)

This test aims to evaluate whether each independent variable has a significant impact on the dependent variable. If the significance value (sig) of the t-test is less than 0.05, then the null hypothesis (H0) will be rejected, indicating that the independent variable has a significant effect on the dependent variable. Conversely, if the sig value of the t-test is greater than 0.05, then the null hypothesis will be accepted, indicating that the independent variable does not have a significant effect on the dependent variable.

H_1: There is an effect of Internet Banking on banking financial performance.

The statistical test results show that the effect of Internet Banking on Return on Assets (ROA) has a probability value of 0.0233, or smaller than the alpha value used, which is 0.05. This indicates that there is sufficient statistical evidence to reject the null hypothesis. The null hypothesis in this context states that Internet Banking does not have a significant effect on ROA. In other words, the results of this test indicate that statistically, there is a significant effect between Internet Banking and ROA, with a constant value of 0.000237. A positive constant value indicates that Internet Banking has a positive effect on ROA. This means that the greater the adoption of Internet Banking, the higher the company's ROA

Meanwhile, the influence of Internet Banking on Return on Equity (ROE) also shows a probability value of 0.0205 which is also smaller than the alpha value of 0.05. This indicates that there is sufficient statistical evidence to reject the null hypothesis. Therefore, based on the results of this test, there is a significant influence between Internet Banking and ROE, with a constant value of 0.001652. A positive constant value indicates that Internet Banking has a positive influence on ROE. This means that the greater the adoption of Internet Banking, the higher the ROA generated by the company. This means that the greater the adoption of Internet Banking, the higher the company's ROE.

This is in line with research by Ghose & Maji, (2022) and Necib & Lafi, (2024), which states that Internet Banking has a positive effect on the company's financial performance. This positive and significant effect shows that the implementation of Internet Banking contributes significantly to improving the company's financial performance, both in terms of asset profitability (ROA) and equity (ROE). This means that the better the company is at utilizing Internet Banking, the higher the company's chances of improving operational efficiency and customer service, which is ultimately reflected in improved financial performance. For example, Internet Banking can reduce operational costs by reducing the need for physical interaction at branch offices, while increasing transaction volumes that are faster and easier for customers. This increases profit margins, which are reflected in improvements in the company's ROA and ROE.

H_2: There is an effect of the Loan to Deposit Ratio on banking financial performance

The statistical test results show that the effect of the Loan to Deposit Ratio on Return on Assets (ROA) has a probability value of 0.9154, which is greater than the alpha value used, which is 0.05. This means that there is not enough statistical evidence to reject the null hypothesis. The null hypothesis in this context states that the Loan to Deposit Ratio does not have a significant effect on ROA. In other words, the results of this test imply that statistically, there is no significant relationship between the Loan to Deposit Ratio and ROA.

Meanwhile, the influence of the Loan to Deposit Ratio on Return on Equity (ROE) also shows a probability value of 0.7673, which is greater than the alpha value of 0.05. This indicates that there is not enough statistical evidence to reject the null hypothesis.

Therefore, based on the results of this test, there is no significant relationship between the Loan to Deposit Ratio and ROE.

This is not in line with the research of Necib & Lafi, (2024) which states that there is a significant relationship between Loan to Deposit and the company's financial performance. In both cases, the test results show that there is insufficient evidence to state that the Loan to Deposit Ratio has a significant effect on ROA or ROE. This implies that the loan to deposit ratio, which reflects how much customer funds are converted into credit, does not directly impact the company's financial performance, either in terms of asset profitability (ROA) or equity (ROE). LDR reflects how much customer funds are converted into loans, but does not always reflect the efficiency or profitability of the loan. If credit quality is low or the level of non-performing loans (NPL) is high, an increase in LDR does not automatically result in higher profits, because the bank must bear the risk of default which has an impact on profits.

H_3: There is an effect of bank size on banking financial performance

The results of the statistical test show that the effect of bank size on Return on Assets (ROA) has a probability value of 0.0063, which is smaller than the alpha value of 0.05. This means that there is sufficient statistical evidence to reject the null hypothesis and conclude that bank size has a significant effect on ROA. With a constant of 0.001066, this effect is positive, indicating that larger banks tend to have better performance in terms of asset profitability (ROA).

However, it is different with the influence of bank size on Return on Equity (ROE), which shows a probability value of 0.0824, greater than the alpha value of 0.05. This means that there is not enough statistical evidence to state that bank size has a significant effect on ROE. Although the constant of 0.004053 indicates that the effect is positive, this result is not statistically significant.

This is in line with research by Necib & Lafi, (2024) which states that bank size has a positive and significant effect on ROA. Larger banks are more efficient in using their assets to generate profits, but bank size does not directly impact profitability derived from equity. This may be due to varying capital strategies and leverage policies across banks, which affect how equity is used to generate profits.

H_4: There is an effect of the Capital Adequacy Ratio on banking financial performance

The results of the statistical test show that the effect of the Capital Adequacy Ratio (CAR) on Return on Assets (ROA) has a probability value of 0.1046, which is greater than the alpha value of 0.05. This means that there is not enough statistical evidence to reject the null hypothesis, so it can be concluded that CAR does not have a significant effect on ROA.

Otherwise, the effect of CAR on Return on Equity (ROE) shows a probability value of 0.0218, which is smaller than the alpha value of 0.05. This means that there is sufficient statistical evidence to reject the null hypothesis and conclude that CAR has a significant effect on ROE. With a constant of -0.097984, this effect is negative, indicating that an increase in CAR can actually have a negative impact on the profitability of bank equity.

This is in line with Singh's research, (2024) which states that CAR has a positive impact on the company's financial performance. Capital strength as measured by CAR, which consists of tier-1 and tier-2 capital, is very important in protecting depositors and maintaining stability. This shows that although capital adequacy is important for financial stability, overly careful risk management can hinder a bank's ability to generate optimal returns from its equity.

Table 9. **Individu Tes (Uji-T) Result**

	MODEL 1		**Result**	**MODEL 2**		**Result**	**Desicion**
	ROA			**ROE**			
	COEFF	**PROB**		**COEFF**	**PROB**		

C	-0.01324	0.107	-	0.015358	0.757	-	-
INB	0.000237	0.023	Positif effect	0.001652	0.021	Positif effect	Has a significant and positive effect on ROE and ROA
LDR	-0.00013	0.915	No effect	-0.00229	0.767	No effect	Not significant
SIZE	0.001066	0.006	Positif effect	0.004053	0.082	No effect	Significantly positive on ROA and has no effect on ROE
CAR	0.009875	0.105	No effect	-0.09798	0.022	No effect	Significantly positive on ROE and has no effect on ROA
**) Significant at 5%							

Source: Data processing using E-views

Research Regression Model

The panel data regression model used by previous research Necib & Lafi, (2024) can be written as follows:

Model 1:

ROA$_{it}$ = -0.013242+ 0.000237 **INB** $_{it}$+ -0.000128 **LDR**$_{it}$+ 0.001066 **SIZE**$_{it}$ + 0.009875 **CAR**$_{it}$

Model 2:

ROE$_{it}$ = 0.015358 + 0.001652 **INB**$_{it}$+ -0.002291 **LDR**$_{it}$ + 0.004053 **SIZE**$_{it}$ -0.097984 **CAR**$_{it}$

Explanation:

ROA : Return on Assets
ROE : Return on Equity
INB : Internet Bangking
LDR : Loan to Deposit
SIZE : Bank size
CAR : Capital Adequacy Ratio

CONCLUSION

Based on the results of the analysis of the influence of financial variables on the financial performance of banking companies, it can be concluded that:

1. The internet banking variable has a positive and significant effect on the company's financial performance, both measured by return on assets and return on equity.
2. The loan to deposit ratio variable does not have a significant effect on the financial performance of banking companies, both measured by return on assets and return on equity.
3. The bank size variable has a positive and significant effect on the return on assets of banking companies. However, there is no significant effect on the return on equity of banking companies.
4. The capital adequacy ratio variable does not have a significant effect on the return on assets of banking companies, but has a negative and significant effect on the return on equity of banking companies.

IMPLICATIONS

Based on the findings obtained in this study, the implications that can be given are as follows:

a. For Investment Managers

This study is expected to provide input for investor managers in selecting the right banking company. Investment managers should prioritize recommendations for banking companies that are active in adopting Internet banking technology, considering the significant positive impact on financial performance. They also need to consider bank size as an important asset in performance analysis. In addition, investment managers must evaluate loan quality by the Loan to Deposit Ratio (LDR), considering that a

high LDR without the support of good credit quality can increase risk. Finally, the Capital Adequacy Ratio (CAR) management strategy needs to be analyzed in depth to ensure that although capital adequacy is important, overly conservative risk management does not hamper the potential for equity income.

b. For investor

For investors, this study is expected to provide input that investors should pay more attention to banks that effectively implement Internet Banking, because banks with digital services tend to have better financial performance. In addition, investors should consider bank size as an indicator of stability and potential higher returns, considering that larger banks are usually more efficient. The quality of the loan portfolio should also be considered, although the Loan to Deposit Ratio (LDR) does not show a significant effect, because a healthy portfolio can reduce investment risk. Finally, investors need to understand that although the Capital Adequacy Ratio (CAR) is important for stability, overly careful management can hinder potential profits, so a thorough analysis of the bank's CAR Capital Adequacy Ratio management strategy is crucial.

LIMITATIONS AND SUGGESTIONS

The limitations of this study include several aspects that may affect the validity and generalization of the results. First, the model used shows a low adjusted R-square value, indicating that the model does not fully represent the relationship between the variables studied and the bank's financial performance. This implies that there are still other factors that may contribute to financial performance, but are not measured in this study. Second, there are limitations related to the variables that can be studied, where only a few performance indicators are included in the analysis. In addition, the focus of this study is limited to certain banks in a specific time period, which may limit the generalization of the findings. Therefore, it is recommended to conduct further research by including additional variables, namely liquidity, as in the study conducted by (Singh, 2024).

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