

The Influence of Non-Performing Loans on Profitability at Bank Rakyat Indonesia Persero Tbk

Yayah Sutisnawati^{1*}, Fifi Amalia Anggraeni²

yayah@email.unikom.ac.id^{1*}

Universitas Komputer Indonesia, Jl. Dipati Ukur No.112-116, Kota Bandung, Jawa Barat, Indonesia

Received Date : 26.10.2022

Revised Date : 29.05.2023

Accepted Date : 24.06.2023

ABSTRACT

The purpose of this study is to obtain developments to what extent the influence of Non-Performing Loans (NPL) on Profitability (ROA). The method used in this research is descriptive and verification method by testing the hypothesis. From the research results, data analysis shows that the influence of variable X or non-performing loans on profitability is 70.4% and the remaining 29.6% is influenced by other variables not tested in this study. Besides that the t-table is still in the area of HO rejection, so HO is rejected and H1 is accepted, so it can be concluded that Non-Performing Loans have a significant effect on Profitability (ROA) at PT. Bank Rakyat Indonesia, Tbk. Therefore, through the research of PT. Bank Rakyat Indonesia, Tbk is expected to increase the profit value by taking into account the NPL value analysis.

Keywords : **Non-Performing Loans (NPL); Profitability (ROA); Bank; hypothesis; Profit**

ABSTRAK

Tujuan penelitian ini adalah untuk memperoleh perkembangan sejauh mana pengaruh Non Performing Loan (NPL) terhadap Profitabilitas (ROA). Adapun metode yang digunakan pada penelitian ini adalah metode deskriptif dan verifikatif dengan melakukan uji hipotesis. Dari hasil penelitian analisis data menunjukkan bahwa Pengaruh variabel X atau non performing loan terhadap Profitabilitas sebesar 70,4% dan sisanya 29,6% dipengaruhi variabel lain yang tidak diuji dalam penelitian ini. Selain itu t-tabel masih berada didaerah penolakan HO maka HO ditolak dan H1 diterima, sehingga dapat disimpulkan Non Performing Loan berpengaruh signifikan terhadap Profitabilitas (ROA) pada PT. Bank Rakyat Indonesia, Tbk. Oleh sebab itu, melalui penelitian PT. Bank Rakyat Indonesia, Tbk ini diharapkan dapat meningkatkan nilai laba dengan memperhatikan analisis nilai NPL.

Kata Kunci : **Kredit bermasalah (NPL); Profitabilitas (ROA); Bank; Hipotesis; Laba**

INTRODUCTION

Bank is an institution that acts as a financial intermediary (financial intermediary) between parties who have funds (surplus units), parties who need funds (deficit units), and institutions that facilitate payments. The role of the bank is to collect and channel public funds (as an intermediary) (Sumarni, 2021). Meanwhile, according to Rivai, 2007, need for a bank's ability to control its profitability metrics is a very important factor that must always be considered by banks. Because the profitability indicator is the ability of a company to generate profits. Profitability is a measure of the result of a series of policies and decisions made by bank managers.

Profitability is then reported in the financial statements document. According to Khaeruddin, et.al (2023), a bank's financial statements can be defined as a tool for assessing the level of risk that exists in that bank. For example, a comprehensive income statement that describes the business development of each bank. Currently, most banking companies in Indonesia publish financial reports in the form of balance sheets, corporate income statements, and other financial reports. One of them is PT. Bank Rakyat Indonesia which has made the Belt and Road Bank's financial reports available to the general public intending to build public trust in its partnership with the Belt and Road Bank" (Dramayanti, 2021).

The results of these financial statements can also help in knowing the non-performing loans experienced by a bank. These problem credit conditions are caused by non-payment of loan principal and interest and can directly affect bank performance and cause inefficiency in bank performance (Desda and Yurasti, 2019). According to Zaenuddin, 2023, the concept of non-performing loans (NPL) is a ratio that measures the risk of non-performing credit arising from repaying customers' long-term loans, so that it can be used as a benchmark for reducing bank performance and increasing inefficiency. In contrast, for investment, profitability is measured by return on investment (ROA). ROA shows the ratio of net profit to total assets. ROA helps you understand how much profit the company gets from its assets" (Masleha et.al, 2022).

Research conducted by Kasmir (2012), found that three parties are the cause of problematic credit conditions, namely: debtors (borrowers), banks, and other parties. This is also supported by Ismail's (2013) research that non-performing credit will have four very pronounced impacts. These impacts include: a) bank profits have decreased due to lower loan interest rates, b) lower labor force participation rates, and c) the cost of allowance for bad debts has increased Banks must have larger reserves for bad debts. Loan amortization costs affect the reduction of bank profits, d) decreased ROA and ROE Decreased profits will affect decreased ROA, and when profits decrease ROA and ROE will decrease. This impact was also found by Putrianingsih and Yulianto, 2016 on the condition of banking companies listed on the IDX for the 2010-2013 period. Based on the analysis it was found that the basic step for investors before choosing to invest in the banking sector is to pay attention to the NPL value to determine the adequacy of a bank's capital.

Therefore, this research was conducted to assist banks in knowing the conditions of development and the influence of Non-Performing Loans (NPL) on Profitability (ROA) in their institutions, using descriptive and verification methods, as well as hypothesis testing.

RESEARCH METHOD

This study uses a "descriptive and verification method by testing a hypothesis whether accepted or rejected is a method that aims to describe whether the facts are true

or not and explain the relationship between the variables investigated by collecting data, processing, and analyzing. The object of this research is about Non-Performing Loans and profitability. This research was conducted at Bank Rakyat Indonesia which is listed on the Indonesia Stock Exchange for the 2012-2021 period. The objects of research are Non-Performing Loans and Profitability (Return on Assets). The data source used by the authors for this study is secondary data which is indirect data that can be obtained through the Indonesian Stock Exchange (IDX) website. Knowing the value of NPL is done by using formula 1 as follows:

$$NPL = \frac{(\text{substandard credit} + \text{doubtful credit} + \text{bad credit})}{\text{Total Credits granted}} \times 100\% \quad (\text{eq 1})$$

RESULT AND DISCUSSION

Bank Rakyat Indonesia (BRI) is one of the largest state-owned banks in Indonesia. Initially, Bank Rakyat Indonesia (BRI) was established in Purwokerto, Central Java by Raden Bei Aria Wirjaatmadja under the name De Poerwokertosche Hulp en Spaarbank der Inlandsche Hoofden or "Priyayi Purwokerto Assistance and Savings Bank" to serve the Indonesian people. Indigenous) serve people from all nationalities. This institution was founded on December 16, 1895, which later became the birthday of BRI.

Development of Bank BRI Tbk Non-Performing Loans listed on the Indonesia Stock Exchange for the 2012-2021 period

Based on the collected secondary data, the development of the Non-Performing Loan (NPL) ratio at BRI Bank Tbk listed on the Indonesia Stock Exchange for the 2012-2021 period is shown in Table 1.

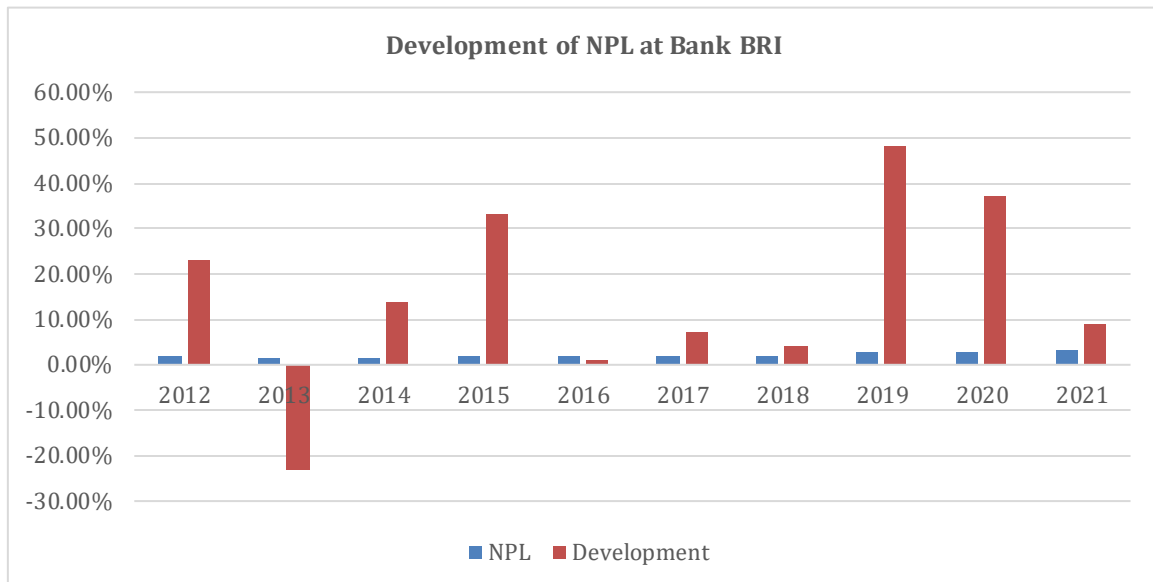
Table 1. Development of NPL at Bank BRI

No	Year	NPL	Development	
			%	Information
1	2012	1,78%	0,23	Up
2	2013	1,55%	-0,23	Down
3	2014	1,69%	0,14	Up
4	2015	2,02%	0,33	Up
5	2016	2,03%	0,01	Up
6	2017	2,10%	0,07	Up
7	2018	2,14%	0,04	Up
8	2019	2,62%	0,48	Up
9	2020	2,99 %	0,37	Up
10	2021	3,08 %	0,09	Up

Source: The results of the author's processing, 2023

The results from Table 1 are then illustrated in the graph in Figure 1 which shows BRI's credit conditions in 2012 which experienced 23% growth, on the other hand in 2013 there was a decrease in the credit ratio (NPL) to 2.76% until September 2013. Then in 2014 -2015 again experienced an increase of 13.6% and 2.49% due to increased revenue and increased income from commissions. However, in 2016, Bank BRI targets NPL (Non-Performing Loans) or problem loans to be at the level of 2.1% -2.4%. While the LDR is in the range of 87.0% -90.0% and CAR is in the position of 20.0%, in 2017 it was IDR 29.04 trillion, up 10.7% from the 2016 period which was only IDR 26.19 trillion. In 2018 Bank Rakyat Indonesia Persero Tbk consolidated by 2.27%. This value slightly increased from the same period in 2017 to 2.23%.

However, for NPL coverage, from the original 183% at the end of 2017, it rose to 185.9% at the end of 2018. In 2019, the largest bank in the country only recorded profit growth of 5.36% (yoy) with a value of IDR 24.80 trillion. In 2020, BRI recorded a consolidated loan disbursement of IDR 938.37 trillion, up 3.89 percent year-on-year (yoy) with the gross NPL ratio maintained at 2.99 percent, and in 2021 Bank Rakyat Indonesia (Persero) Tbk (BBRI) or BRI is confident that this year it will be able to channel loan growth of 9% -11% compared to the previous year.



Source: The results of the author's processing, 2023

Figure 1. Graph of NPL Development at Bank BRI

Development of Profitability of Bank BRI Tbk which is listed on the Indonesia Stock Exchange for the 2012-2021 period

Formula 2, is the calculation of Return on Assets (ROA) according to Kasmir (2012: 201).

$$ROA = \frac{\text{Net profit}}{\text{Total assets}} \times 100\% \quad (\text{eq 2})$$

In Table 2., a data diagram regarding profitability (ROA) is presented at Bank BRI Tbk which is listed on the Indonesia Stock Exchange, and a comparison of the percentage of its development in the 2012-2021 period.

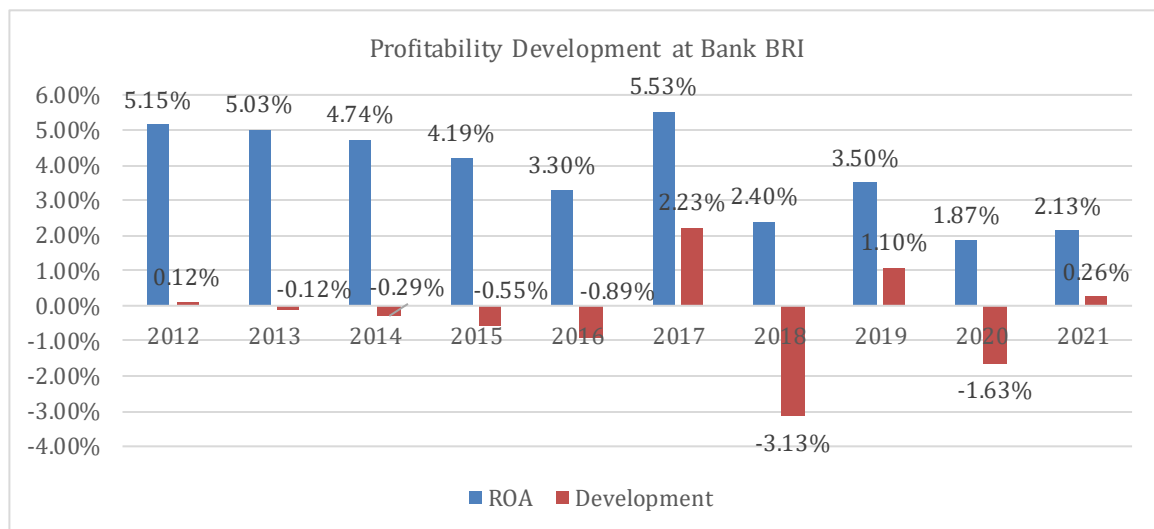
Table 2. Profitability Development at Bank BRI

No	Year	ROA	Development	
			%	Information
1	2012	5,15%	0,12	Up
2	2013	5,03%	-0,12	Down
3	2014	4,74%	-0,29	Down
4	2015	4,19%	-0,55	Down
5	2016	3,30%	-0,89	Down
6	2017	5,53%	2,23	Up
7	2018	2,4%	-3,13	Down
8	2019	3,50%	1,1	Up
9	2020	1,87%	-1,63	Down
10	2021	2,13 %	0,26	Up

Source: The results of the author's processing, 2023

The results from Table 2. which are then described in Figure 2, show the condition of Bank Rakyat Indonesia Tbk in 2012 Bank Rakyat Indonesia (Persero) Tbk (BRI) managed to record an increase in net profit of up to 29.32% or reaching IDR 4.22 trillion in the first quarter -2012 was much higher compared to the same period in 2011 of IDR 3.26 trillion. In 2013, it reached Rp 6.61 trillion. BRI's loan disbursement also experienced a significant slowdown at the end of April 2015. Total loans disbursed reached Rp 478.85 trillion, growing 8.26% yoy. In 2014, the net profit earned by the micro, small and medium enterprise (MSMEs) credit specialist bank reached IDR 7.41 trillion, down 5.12% year on year. Then in 2015 Bank Rakyat Indonesia (BRI) finally confirmed the decline in financial performance in April 2015. This condition was caused by the slowdown in Indonesia's economic growth during the first quarter of 2015.

However, from January to December 2016 only experienced national banking credit growth of 7.78 %. In 2017 the percentage of Return On Assets (ROA) at PT. Bank Rakyat Indonesia Tbk by 3.69% (a decrease of -0.15% compared to the previous year). The return on Assets (ROA) of PT Bank Rakyat Indonesia Tbk in 2018 was 3.68%, if you look at the previous year there was an insignificant decrease of -0.01%. Then in 2019 PT Bank Rakyat Indonesia Tbk recorded a net profit of IDR 34.41 trillion or grew 6.15%, and in 2020 PT Bank Rakyat Indonesia / BRI (Persero) Tbk recorded a decrease in profit in the second quarter of 2020 of 36.9% with IDR 10.2 trillion.



Source: The results of the author's processing, 2023

Figure 2. Graph of Profitability Development at Bank BRI
Simple Linear Regression Analysis ($Y=a+bx$)

Simple linear regression analysis was used to determine the effect of changes that occur in Non-Performing Loans on Profitability (Return on Assets) at Bank BRI listed on the Indonesia Stock Exchange for the period 2012 – 2021. To analyze simple regression, researchers used SPSS Version 20 software for Windows to obtain results as seen in formula 3.

$$Y = a + bX \quad (eq\ 3)$$

Description, Y = subject in the predicted dependent variable (change in earnings); a = Price Y if X = 0 (constant price); b = Directional number or regression coefficient indicating an increase or even number; decrease in the dependent variable based on the

independent variable; x = Subjects on independent variables that have a certain value (Total Assets Turnover).

Table 3. Simple Linear Regression Analysis

		Coefficients ^a				
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	
1	(Constant)	,086	,011		7,607	,000
	NPL	-2,161	,495	-,839	-4,366	,002

Source: The results of the author's processing, 2023

Based on the results of the calculations in Table 3. it can be processed simple linear equations as in formula 4.

$$Y = 0,086 - 2,161 X \quad (eq\ 4)$$

Where X is: Non-Performing Loan; and Y is: Return on Assets. The calculations in formula 4., show that the results of the regression equation $Y = 0.086 - 2.161 X$, this means that the a value or constant is 0.086 which reflects that the NPL = 0, then the ROA is 2.161 and the b value is -2.161. Because a negative b value means that there is an inverse relationship between NPL and ROA, meaning that for every 1% increase in NPL, ROA will decrease by 2.161%.

The Effect of Non-Performing Loans on Profitability

Analysis of simple linear regression data processed with the SPSS version 20.0 program shows a coefficient value of -2.161 between the NPL and ROA variables. This means that the direction of the relationship is negative and the strength of the relationship between these variables is very strong. This relationship can be interpreted that the higher the NPL, the lower the ROA level, and conversely the lower the NPL, the higher the ROA level.

Likewise, the coefficient of determination obtained from the calculation results is 70.4%, with a 70.4% change in the ROA level affected by non-performing loans and the remaining 29.6% influenced by other factors not discussed in this study. Testing the t-test hypothesis shows that NPL has a significant effect on profitability (ROA). This happens because the negative t-count value is smaller than the negative t-table.

The results of this study are in line with research in 2021 by Agustiningrum, 2013, Fauziah, 2021, and Saputra, 2023 which found that the higher the NPL, the higher the risk of default which can reduce interest income and profits. Lost profit opportunities due to bad loans have a direct impact on profits, as they affect projected profit projections. Therefore, the higher the NPL, the lower the ROA because the bank loses the chance to win. These results are consistent with previous researchers who found NPL had a significant negative effect on profitability.

CONCLUSION

Based on the discussion of the study regarding the impact of NPLs on the profitability of Bank Rakyat Indonesia (Persero) Tbk, it was found that the development of Bank BRI Tbk's NPLs for the 2012-2021 period which were listed on the Indonesia Stock Exchange tended to fluctuate at different rates each year.

In other words, in 2013 there was a decrease and the rest experienced an increase. This decrease was driven by an increase in LDR reflecting prudent disbursement calculations, and an increase in the development of the palm oil industry by 50%, which led to a decrease in NPLs this year.

Likewise, listed on the Indonesia Stock Exchange in 2017, Bank Rakyat Indonesia's profitability increased compared to the previous year. The increase was due to the bank's ability to generate profits thereby increasing the company's net profit. 2020 was the most unprofitable year for the company, due to lower net profit compared to the previous year.

So, based on the analysis of Non-Performing Loans on Profitability at Bank Rakyat Indonesia Persero Tbk it is found that the ratio of non-performing loans to the profitability of Bank Rakyat Indonesia for the 2012-2021 period is negatively affected in the calculation of the correlation, but from the perspective of the t-test, on the contrary, the ratios of both show credit performance default has an impact on profitability (H1 is accepted, and H0 is rejected).

RECOMMENDATION

Non-Performing Loans (NPL) PT. Bank Rakyat Indonesia, Tbk is always calculated to be below the upper limit. These conditions must be respected in such a way that bank management must be more careful and selective in providing loans, and it is advisable to have quality resources for management. Monitor what is paid to the debtor to have a loan.

REFERENCES

- Agustiningrum, R. (2013). Analisis pengaruh CAR, NPL, dan LDR terhadap Profitabilitas pada Perusahaan Perbankan (Doctoral dissertation, Udayana University).
- Masleha, N., Abbas, D. S., Hidayat, I., & Kismanah, I. (2022). Pengaruh Return On Equity, Return On Assets, Earning Per Share, dan Dividen Per Share Terhadap Market Value Added. *Jurnal Penelitian Ekonomi Manajemen dan Bisnis*, 1(4), 115-127. <https://doi.org/10.55606/jekombis.v1i4.682>
- Damayanti, D. (2021). Analisis Kinerja Keuangan Menggunakan Rasio Profitabilitas pada PT Bank Rakyat Indonesia (Persero) Tbk. Tahun 2018–2020. *Jurnal Ilmiah Mahasiswa Manajemen, Bisnis Dan Akuntansi (JIMMBA)*, 3(4), 738-746. <https://doi.org/10.32639/jimmba.v3i4.936>
- Desda, M. M., & Yurasti, Y. (2019). Analisis Penerapan Manajemen Risiko Kredit Dalam Meminimalisir Kredit Bermasalah Pada PT. BPR Swadaya Anak Nagari Bandarejo Simpang Empat Periode 2013-2018. *Mbia*, 18(1), 94-106. <https://doi.org/10.33557/mbia.v18i1.351>
- Fauziah, H. (2021). Pengaruh NPL, CAR, dan BI Rate terhadap ROA pada Bank Badan Usaha Milik Negara. *Indonesian Journal of Economics and Management*, 1(2), 352–365. <https://doi.org/10.35313/ijem.v1i2.2503>
- Zaenuddin, M. (2023). Faktor-Faktor yang Mempengaruhi Non Performing Loan pada Bank di Indonesia. *Journal of Applied Managerial Accounting*, 7(1), 85-99. <https://doi.org/10.30871/jama.v7i1.5046>
- Saputra, T. S. (2022). Dampak Kurs Dan Pdb Terhadap Profitabilitas Perusahaan Pembiayaan Di Provinsi Sumatera Selatan Dengan Npl Sebagai Variabel Intervening Tahun 2015–2018. *Jurnal Ecoment Global: Kajian Bisnis dan Manajemen*, 7(1), 68-74. <https://doi.org/10.35908/jeg.v7i1.2335>
- Ismail. 2013. *Manajemen Perbankan*. Jakarta: Kencana Prenadamedia Group

-
- Khaeruddin, F., Susanti, N. A., & Rahman, Y. (2023). Analisis Rasio Profitabilitas dan Rasio Likuiditas Guna Menilai Kinerja Keuangan. *Management and Accounting Research Statistics*, 3(1), 59-71. <https://doi.org/10.59583/mars.v3i1.19>
- Kasmir. (2012), Analisis Laporan Keuangan. Jakarta : PT. Raja Grafindo Persada.
- Putrianingsih, D. I., & Yulianto, A. (2016). Pengaruh non performing loan (NPL) dan capital adequacy ratio (CAR) terhadap profitabilitas (Studi kasus pada perusahaan perbankan yang terdaftar di BEI periode 2010-2013). *Management Analysis Journal*, 5(2), 110-115. [Doi: 10.15294/MAJ.V5I2.7622](https://doi.org/10.15294/MAJ.V5I2.7622)
- Rivai, H. V., Veithzal, A. P., & Idroes, F. N. (2007). Bank and financial institution management. Raja Grafindo Persada.
- Sumarni, S. (2021). Peran Bank Sebagai Lembaga Perantara (Intermediary) Ditinjau Dari Undang-Undang Nomor 10 Tahun 1998. *Ganec Swara*, 15(1), 889-896. <https://doi.org/10.35327/gara.v15i1.188>