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THE INFLUENCE OF CAR, NPF, FDR ON ROA OF BPRS HIK PARAHYANGAN FOR THE YEARS 2015-2023

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Abstract. *The ongoing growth of Indonesia's Sharia banking sector underscores the necessity of assessing the financial performance of Sharia People's Financing Banks as microfinance entities. This study examined the consequence of Capital Adequacy Ratio, Non-Performing Financing, and Financing to Deposit Ratio on Return on Assets at BPRS HIK Parahyangan. The study seeks to explore the consequence of those parameters on financial success, as shown by ROA, and to provide novel insights pertinent to financial management at this BPRS. The methodology is using quantitative analysis via multiple linear regression, tapping into secondary data sourced from the yearly financial statements of BPRS HIK Parahyangan for the years 2015 to 2023, analyzed with using SPSS 27 software. The research findings prove that CAR negatively affects ROA, whereas NPF and FDR exhibit no significant partial influence. None of them exert a concurrent influence on ROA. These findings contradict previous research that indicate a significant implication of these three parameters on the profitability of Sharia banks. The originality of the research resides in the particular research subject and the findings that offer a fresh viewpoint on the dynamics of financial ratios and its profitability.*

Keywords: *Capital Adequacy Ratio, Non-Performing Financing, Financing to Deposit Ratio, Return on Assets, Sharia People's Financing Banks*

Abstrak. Perkembangan sektor perbankan syariah Indonesia menyoroti pentingnya mengevaluasi kinerja keuangan Bank Pembiayaan Rakyat Syariah sebagai lembaga mikrofinansial. Penelitian ini menganalisis dampak Capital Adequacy Ratio, Non-Performing Financing, dan Financing to Deposit Ratio terhadap Return on Assets di BPRS HIK Parahyangan. Tujuan dari penelitian ini adalah untuk menguji pengaruh parameter tersebut terhadap kinerja keuangan, yang diukur dengan ROA, serta memberikan wawasan baru yang relevan untuk manajemen keuangan di BPRS ini. Metodologi yang digunakan adalah analisis kuantitatif melalui regresi linier berganda, menggunakan data sekunder yang berasal dari laporan keuangan tahunan BPRS HIK Parahyangan tahun 2015-2023, yang dianalisis menggunakan perangkat lunak SPSS 27. Temuan penelitian menunjukkan bahwa CAR berdampak negatif terhadap ROA, sedangkan NPF dan FDR tidak menunjukkan pengaruh parsial yang signifikan. Tidak ada dari ketiganya yang memberikan pengaruh secara simultan pada ROA. Temuan ini bertentangan dengan penelitian sebelumnya yang mengidentifikasi efek yang menguntungkan atau signifikan dari ketiga faktor ini terhadap profitabilitas bank syariah. Keaslian penelitian ini terletak pada subjek penelitian yang khusus dan temuan yang menawarkan sudut pandang baru tentang dinamika rasio keuangan dan profitabilitas BPRS.

Kata Kunci: *Capital Adequacy Ratio, Non-Performing Financing, Financing to Deposit Ratio, Return on Assets*, Bank Pembiayaan Rakyat Syariah

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INTRODUCTION

In recent years, despite facing the emergence of global challenges, Indonesia's economic condition still demonstrates quite good resilience. One example is during the pandemic, as stated by Surya, Trizhadi, and Oktafia (2024), that during the pandemic, Islamic finance in Indonesia was considered to have a more stable condition, thereby positively contributing to the increase in economic activity, both domestically and globally (Surya et al., 2024). The banking industry has emerged as a crucial component in sustaining the nation's economic stability. Specifically, the progression of Sharia banking demonstrates a positive trajectory in line with how Indonesian society is beginning to recognize a financial system based on the principles of Islamic teachings. The preference for banking products among the public today is not only based on profit but also oriented towards aspects of ethics and justice. Based on that context, the Sharia People's Financing Bank (BPRS), as part of the financial institution, also actively supports the implementation of financial inclusion while providing financing services by existing Sharia principles. BPRS, as its function, is required to maintain financial performance stability while achieving optimal profitability to sustain competitiveness and survival in the highly crowded Indonesian banking sector, encompassing both conventional and sharia. Maintaining financial performance to remain healthy, optimal, and sustainable is often demanded of banking institutions. This institution is not merely an entity with the role of a fund-collecting and disbursing institution. Furthermore, banks are entities that significantly influence the sustainability of the nation economic development through the allocation of productive financing.

Analyzing financial ratios helps bank management understand what changes are occurring and what opportunities can be leveraged in the future. Every banking institution, including BPRS, needs to always pay attention to the principle of prudence and its level of health, which can be measured by assessing profitability. Profitability is a fundamental aspect when assessing banking performance, especially when evaluating the bank's operational efficiency to achieve the expected profit or earnings. One of the main indicators is ROA, which reflects the management's ability in banking to generate net profit by utilizing the amount of assets they possess. Both internal and external parameters influence the profitability level of a bank. When looking at the context of internal factors, financial performance ratios such as CAR, NPF, and FDR are often used as key indicators that impact ROA.

The Capital Adequacy Ratio (CAR) measures a bank's capital adequacy in relation to the risks it encounters. This aligns with the research findings of Urifah, Sari, Adiba, and Oktafia

(2024), which state that an increase in CAR value reflects a bank's stronger capability to face the risks from its operational (Urifah et al., 2024). Based on the amount of risk-weighted assets, banks must set aside a minimum capital of 8% to be classified as healthy. CAR supports capital to ensure the stability of the bank and the safety of customer funds when facing credit, market, or operational risks. In addition, this ratio is important to ensure the bank's capital adequacy while maintaining public trust.

Meanwhile, the percentage of problematic or non-performing financing relative to the total funding disbursed by Islamic banking indicates Non-Performing Financing (NPF). In other words, this ratio represents the worth of the bank's financing and the credit risk it presently encounters. Bank Indonesia sets the maximum percentage for good quality financing at 5%. That percentage also prevents risks that may arise and affect the bank's financial stability. If the percentage of NPF increases, profitability will tend to decline because problematic financing does not generate profit and instead has the potential to create losses.

The Financing to Deposit Ratio (FDR) is a parameter that juxtaposes the total financing disbursed against the total third-party funds acquired by the bank. According to the study by Rohizah, Pandiangan, Ali, and Oktafia (2024), a healthy LDR or FDR signifies that the bank maintains an effective equilibrium between the allocation of money for financing and the acquisition of funds from customers through savings or deposits (Rohizah et al., 2024). FDR can indicate how effective a bank is when disbursing its collected funds. OJK sets the ideal ratio value between 78% and 92%. When the percentage value is too high, it can indicate a liquidity risk. A healthy FDR means the bank can balance the funds it can receive and the provision of financing well. Therefore, banks must be able to manage their funds by distributing financing optimally so that the bank's liquidity remains maintained.

This research provides novelty by picking BPRS Harta Insan Karimah Parahyangan in West Java as the object of study, despite the prior examination of the impact of these three ratios on ROA in general Sharia banks. BPRS HIK Parahyangan is a Sharia microfinance institution functioning since 2006 in Bandung, West Java Province. This BPRS is registered with the Deposit Insurance Corporation (LPS) and is under the supervision of the Financial Services Authority (OJK). This BPRS also offers a variety of Sharia-based financing and funding products, such as financing for civil servant teachers, home ownership, and SME financing, which reflect a strategic role in the local economy and Sharia financial inclusion. BPRS HIK Parahyangan has a reasonably strong presence and shows fluctuating financial performance. The development and uniqueness of BPRS HIK Parahyangan make it a relevant

research object to understand how financial performance risks can affect its profitability. Until now, there has not been much specific research analyzing this BPRS in Bandung.

Here are the ROA, CAR, NPF, and FDR percentages for BPRS HIK Parahyangan from 2015 to 2023.

Table 1. Percentage of ROA, CAR, NPF, FDR BPRS HIK Parahyangan for the years 2015-2023

Year	ROA	CAR	NPF	FDR
2015	3,47 %	12,44 %	2,29 %	97,89 %
2016	3,62 %	14,06 %	2, 14 %	92,44 %
2017	4,52 %	14,68 %	2,76 %	84,99 %
2018	4,51 %	15,86 %	2,62 %	88,44 %
2019	4,64 %	16,37 %	2,62 %	87,79 %
2020	2,93 %	17,28 %	2,98 %	87,85 %
2021	1,74 %	18,25 %	2,87 %	93,83 %
2022	1,67 %	18,41 %	2,17 %	92,81 %
2023	1,47 %	15,63 %	1,92 %	91,63%

Source: Annual Financial Report of BPRS HIK Parahyangan for the years 2015-2023

The influence of these three ratios on ROA often shows varying results, depending on the characteristics or type of banking institution being studied. Based on these considerations, the author has determined that the variables to be analyzed include CAR, NPF, and FDR, aiming to understand the extent of each ratio's influence on ROA at BPRS HIK Parahyangan from 2015 to 2023. This research is necessary for a comprehensive grasp of applying financial performance ratios to forecast profitability in Sharia microfinance institutions. The study's findings are anticipated to offer strategic insight for BPRS management in formulating future financial policies and as a supplementary reference for stakeholders in comprehending the dynamics of BPRS's financial performance in Indonesia.

Research conducted by Wicaksono and Suselo shows that CAR significantly impacts profitability, which was measured using ROA in their study (Wicaksono & Suselo, 2022). Rembet and Baramuli also reported similar findings in a Study on National Private Foreign Exchange Commercial Banks Listed on the IDX (Rembet & Baramuli, 2020). These findings suggest that the bank possesses adequate capital to support its operating activities, therefore avoiding financial difficulties while also increasing profits. Moreover, Bakhtiar and Fathoni concluded that NPL, which in the context of Islamic banking is referred to as NPF, has positive

benefits ROA (Bakhtiar & Fathoni, 2024). Furthermore, A study conducted by Wicaksono and Suselo revealed that the FDR has a substantial influence on bank profitability (Wicaksono & Suselo, 2022). As long as it remains within the specified limits, the high FDR ratio reflects that the bank has effectively disbursed its financing. From those studies, several hypotheses were formed, including:

Hypothesis 1 (H_1): CAR has a significant influence on ROA

Hypothesis 2 (H_2): NPF has a significant influence on ROA

Hypothesis 3 (H_3): FDR has a significant influence on ROA

Hypothesis 4 (H_4): CAR, NPF, FDR are suspected to have a significant simultaneous influence on ROA

METHOD

This research applies a quantitative measurement to calculate the effect variables through quantifiable data. This method is applied to research subjects that include a specific population or sample and then analyzed statistically to test the validity of the hypothesis. This analysis uses secondary data, which consists of BPRS HIK Parahyangan's yearly financial statements from 2015 to 2023. The secondary data collection was selected due to its validity and official accessibility. The data was processed and analyzed utilizing the SPSS version 27 statistical software. This research uses multiple linear regression as its analytical method, with the steps including identifying variables, classical assumptions testing, and hypothesis testing.

Classical Assumption Test

Classical Assumption Tests include a series of tests before interpreting the results of linear regression analysis to ensure that the regression model meets classical or basic assumptions. These assumptions include the normality of the residual distribution, no multicollinearity among independent variables, homoscedasticity, and no autocorrelation among residuals.

Normality Test

Normal distribution of residuals is an important requirement in linear regression. This test usually uses the Normal Probability P-plot and Residual Histogram or the Kolmogorov-Smirnov Test. The criterion in normality test stipulates that a significance value greater than (> 0.05), reflects normal distribution of the data and vice versa. When the residuals are not normally distributed, the estimation results may be rendered invalid.

Multicollinearity Test

The multicollinearity test can detect the presence of a strong correlation among independent variables in regression. General indicators when measuring multicollinearity

include Tolerance and Variance Inflation Factor (VIF). If each independent variable has a tolerance value (> 0.1) and a VIF (< 10), it indicates no signs of multicollinearity.

Heteroskedasticity Test

The Heteroscedasticity Test assesses whether the residual variance remains constant at the predictor values. If it is not constant, then heteroscedasticity occurs, which does not align with the basic assumptions. Heteroscedasticity does not occur when no specific pattern is formed in the Scatterplot visualization.

Autocorrelation Test

The Autocorrelation Test can determine the correlation between residual values in different periods. This test is important, especially for time series data. One of the testing methods is the Runs Test. This test detects patterns of regularity in the residuals. Autocorrelation can cause inference results to be biased. In the Runs Test, there is no autocorrelation when the significance value is > 0.05.

Multiple Linear Regression

The multiple linear regression equation can be systematically written as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where:

a: Constant

β: Regression coefficient

e: Residual Variabel

Y: *Return on Assets* (ROA)

X_1: *Capital Adequacy Ratio* (CAR)

X_2: *Non-Performing Financing* (NPF)

X_3: *Financing to Deposit Ratio* (FDR)

Hypothesis Testing

Hypothesis testing in the context of regression seeks to ascertain the significance of independent variables' effects on the dependent variable, both individually and collectively. This testing includes the Coefficient of Determination, Partial T-Test, and Simultaneous F-Test.

Coefficient of Determination (*Adjusted* R^2)

The coefficient of determination is a statistical measure that explains the proportion of variability in the dependent variable that can be explained by the independent variable in a

regression model. Its value ranges from 0 to 1, where a value closer to 1 means the model is better at explaining the existing variance.

T-Test (Partial)

The T-test measures the influence of an independent variable on a dependent variable. This test is important to determine the individual contribution of each predictor. Here are the criteria used to interpret the test results:

a. H_a is accepted, and H_0 is rejected when the significance value is (< 0,05)
b. H_a is rejected, and H_0 is accepted when the significance value is (> 0,05)
c. H_a is accepted, and H_0 is rejected when the $t_{value} > t_{table}$ value
d. H_a is rejected, and H_0 is accepted when the $t_{value} < t_{table}$ value

F-Test (Simultaneous)

The F-test examines whether all independent variables collectively affect the dependent variable. The criteria for rejecting or accepting the hypothesis in the F-test are as follows:

a. H_a is accepted, and H_0 is rejected when the significance value is < 0,05
b. H_a is rejected, and H_0 is accepted when the significance value is > 0,05
c. H_a is accepted, and H_0 is rejected when the $F_{value} > F_{table}$
d. H_a is rejected, and H_0 is accepted when the $F_{value} < F_{table}$

RESULTS

Classic Assumption Test

Normality Test

Table 2. Kolmogorov-Smirnov Test Outcomes

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		9
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.00680880
Most Extreme Differences	Absolute	.113
	Positive	.113
	Negative	-.094
Test Statistic		.113
Asymp. Sig. (2-tailed)[c]		.200[d]

Monte Carlo Sig. (2-tailed)[e]	Sig.		.986
	99% Confidence Interval	Lower Bound	.983
		Upper Bound	.989

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source: Processed Data, SPSS 27

The One Sample Kolmogorov-Smirnov test is presented in Figure 1. Yields a probability value or significance level (as seen through Asymp. Sig. (2-tailed)) of 0.200 (0.05 < 0.200). Data is normally distributed is the conclusion of this test results.

Multicollinearity Test

Table 3. Multicollinearity Test Outcomes

Coefficients[a]

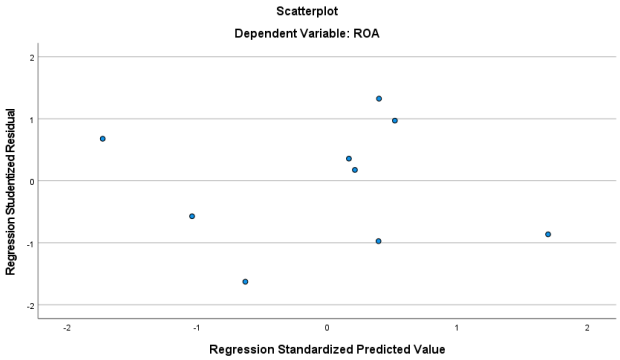
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.226	.098		2.308	.069		
	CAR	-.471	.165	-.718	-2.849	.036	.878	1.139
	NPF	1.207	.988	.344	1.222	.276	.703	1.422
	FDR	-.164	.089	-.500	-1.844	.124	.757	1.322

a. Dependent Variable: ROA

Source: Processed Data, SPSS 27

The tolerance values in the table above indicate that all independent variables have tolerance values bigger than 0.1. The independent variable CAR has a value of 0.878, NPF has a value of 0.703, and FDR has a value of 0.757. In addition, CAR'S Variance Inflation Factor (VIF) are 1.139, NPF are 1.422, and FDR are 1.322. The VIF values of the three independent variables do not exceed 10. Therefore, it can be concluded that multicollinearity does not occur.

Heteroskedasticity Test



Source: Processed Data, SPSS 2

Figure 1. Scatterplot Heteroskedasticity Test

Heteroskedasticity can be stated as not occurring if the points are not patterned or shaped specifically and are distributed around the number 0 on the Y-axis. According to these conditions, the results of the heteroscedasticity test, as shown in the scatterplot above. That result indicates that heteroscedasticity is not present.

Autocorrelation Test

Table 4. Runs Test Outcomes

Runs Test	
	Unstandardized Residual
Test Value[a]	.00062
Cases < Test Value	4
Cases >= Test Value	5
Total Cases	9
Number of Runs	6
Z	.040
Asymp. Sig. (2-tailed)	.968
a. Median	

Source: Processed Data, SPSS 27

The Runs Test shows a significance value at Asymp. Sig. (2-tailed) 0.968 > 0.05. This value indicates no autocorrelation issue in the model used in this study. Thus, it is allowed to move to the next test.

Multiple Linear Regression Analysis

Table 5. Multiple Linear Regression Test Outcomes

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.226	.098		2.308	.069		
	CAR	-.471	.165	-.718	-2.849	.036	.878	1.139
	NPF	1.207	.988	.344	1.222	.276	.703	1.422
	FDR	-.164	.089	-.500	-1.844	.124	.757	1.322

a. Dependent Variable: ROA

Source: Processed Data, SPSS 27

According to the multiple linear regression analysis test above, the regression equation is known as:

Y= 0,226 – 0,471 + 1,207 – 0,164

The logical conclusion from those equation appears as follows:

1. The constant (α) is valued at 0.226. If CAR, NPF, and FDR values are constant, then ROA will increase by 0.341.
2. CAR has a regression coefficient of -0.471 and a negative sign. It illustrates the fact that for every 1% increase in CAR, ROA will decrease by 0.007.
3. NPF has a regression coefficient of 1.207 and a positive sign. It illustrates the fact that for every 1% increase in NPF, ROA will increase by 1.207.
4. FDR has a regression coefficient of -0.164 and has a negative sign. It illustrates the fact that for every 1% increase in FDR, ROA will decrease by 0.164.

Hypothesis Testing

Coefficient of Determination (*Adjusted R^2*)

Table 6. Adjusted R Square Outcomes

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.849[a]	.721	.554	.0086125	2.115

a. Predictors: (Constant), FDR, CAR, NPF

b. Dependent Variable: ROA

Source: Processed Data, SPSS 27

The Coefficient of Determination test reflects an Adjusted R Square value of 0.554. Based on that value, it can be interpreted that these variables can explain 55.4% of the variance in ROA in this study. Other factors outside the scope of this study impact the remaining 54.6%.

T-Test (Partial)

Table 7. T-Test Outcomes

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.226	.098		2.308	.069		
	CAR	-.471	.165	-.718	-2.849	.036	.878	1.139
	NPF	1.207	.988	.344	1.222	.276	.703	1.422
	FDR	-.164	.089	-.500	-1.844	.124	.757	1.322

a. Dependent Variable: ROA

Source: Processed Data, SPSS 27

1. Based on the partial CAR test results, t_{value} -2.894 > t_{table} 2.570 and its significance 0.036 < 0.05. Therefore, H_1 is accepted, and H_0 is rejected, indicating that CAR has a significant negative influence.
2. Based on the partial NPF test results, t_{value} 1.222 < t_{table} 2.570 and its significance 0.276 > 0.05. Therefore, H_2 is rejected, and H_0 is accepted, indicating that NPF has no influence.
3. Based on the results of the partial FDR test, t_{value} -1.844 < t_{table} 2.570 and its significance 0.124 > 0.05. Therefore, H_3 is accepted, and H_0 is rejected, indicating that FDR has no influence.

F-Test (Simultaneous)

Table 8. F-Test Outcomes

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.001	3	.000	4.316	.075[b]
	Residual	.000	5	.000		

Total	.001	8

a. Dependent Variable: ROA

b. Predictors: (Constant), FDR, CAR, NPF

Source: Processed Data, SPSS 27

The simultaneous test figure, it shows that the F_{value} 4.316 < F_{table} 4.76 and the significance value is bigger than 0.05 (0.075 > 0.05); thus, H_4 is rejected and H_0 is accepted. In this study, the variables CAR, NPF, and FDR do not simultaneously affect ROA.

DISCUSSION

The Influence of Capital Adequacy Ratio (CAR) on Return on Assets (ROA)

Partial testing of CAR shows a significance value of 0.036 > 0.05 with t_{value} bigger than t_{table} (-2.894 > 2.570), resulting in H_1 being accepted and H_0 is rejected. Thus, it is stated that CAR (X_1) significantly negatively affects ROA (Y). The research conducted by Mirawati, Putra, and Fitri concluded consistent results regarding the effect of CAR on ROA (Mirawati et al., 2021). In theory, a larger capital base would allow banks to extend more financing and potentially increase profitability. In the context of BPRS, research findings indicate that an increase in CAR adversely affects ROA. Excessive capital about productive assets might result in "idle capital" that is not effectively utilized to generate money. For example, in 2015, CAR reached 12.44%, but ROA did not show a corresponding increase. BPRS HIK Parahyangan, as one of the large BPRS, has a conservative strategy of maintaining relatively high capital to mitigate the cautious risk of sharia financing. This substantial capital necessitates that the bank retain a portion of the funds as reserves, constraining the resources available for productive financing and diminishing the return on assets (ROA). Furthermore, the rise in CAR may indicate a projected escalation in danger, leading banks to tighten the distribution of financing, which results in decreased efficiency in capital utilization and profitability.

The Influence of Non-Performing Financing (NPF) on Return on Assets (ROA)

The t_{value} of NPF is smaller than the t_{table} (1.222 < 2.570) and its significance is 0.276 > 0.05. In this study, NPF (X_2) does not affect ROA (Y). Thus, H_2 is rejected, and H_0 is accepted. Research by Asysidiq and Sudiyatno also shows results similar to this study, stating that NPF has no influence on ROA (Asysidiq & Sudiyatno, 2022). In general, a high NPF affects the decrease in profitability because problematic financing does not generate income and can incur loss reserve costs. However, research on BPRS shows the opposite, likely due to the relatively low and controlled NPF levels, so the impact on profitability is not very noticeable. During the

research period, BPRS HIK Parahyangan managed to maintain the NPF at a low and relatively stable level, namely below 3%, which is within the safe limit. The stability of the NPF indicates effective risk management and good financing restructuring policies, so problematic financing does not significantly impact profits. The diversity of financing products and the enhancement of the financing portfolio's quality mitigate the risk of losses, preventing NPF from becoming a predominant factor affecting ROA.

The Influence of the Financing to Deposit Ratio (FDR) on Return on Assets (ROA)

The significance of FDR shows a value of 0.124 > 0.05 with $t_{value} < t_{table}$ (-1.844 < 2.570), reflecting that H_3 is rejected and H_0 is accepted, or in other words, FDR (X_3) does not have an effect on ROA (Y). Alfian and Pratiwi, in their research, also mentioned that LDR, which in the context of Islamic banking is known as FDR, does not affect ROA (Alfian & Pratiwi, 2021). FDR quantifies the degree to which public or third-party funds are reinvested as financing. However, according to the results, FDR did not affect ROA, which can occur if the increase in financing is not matched by good financing quality or optimal operational efficiency. During the research period, the FDR was at a high level; in the last 3 years (2021-2023,) it was valued above 90%. However, ROA does not show a proportional increase. In other words, BPRS HIK Parahyangan shows positive financing growth and good diversification of financing products, but a high FDR does not necessarily directly increase income. This is because the quality of the financing disbursed or the bank's operational efficiency is not yet optimal, so profitability has not increased significantly. BPRS HIK Parahyangan also focuses on risk management and good governance, making fund distribution more selective and not solely pursuing financing volume. Therefore, FDR is not the main factor that influences ROA.

The Influence of Capital Adequacy Ratio (CAR), Non-Performing Financing (NPF), and Financing to Deposit Ratio (FDR) on Return on Assets (ROA)

After conducting the F test, the significance showed a value of 0.075 > 0.05 and $F_{value} < F_{table}$ (4.316 < 4.76). Thus, H_4 is rejected, revealing that CAR, NPF, and FDR do not simultaneously impact ROA. These results differ from those of Apriani and Mansoni, who concluded that the three ratios simultaneously affect ROA (Apriani & Mansoni, 2019). Several factors may cause this condition, one of which is a conservative strategy in capital management (indicated by the high CAR), where large capital is used for risk mitigation. Although it can reduce risk, the use of large capital prevents the funds from being used optimally, thereby suppressing efficiency and negatively affecting ROA. On the other hand, good financing quality leads to low NPF, but its impact on ROA is not dominant. The careful disbursement of funds to manage risk has not yet been able to boost ROA significantly. When analyzed

simultaneously, the positive and negative effects of variables such as CAR, NPF, and FDR tend to neutralize each other. A high CAR reduce risk but also lowers efficiency; a low NPF mitigates potential losses but is not strong enough to significantly increase ROA, while a moderate FDR maintains liquidity but does not directly drive profitability. The financial report of BPRS HIK Parahyangan draws attention to operational efficiency and cost control as the primary focus in maintaining profitability. Therefore, the CAR, NPF, and FDR variables, which are more structural and risk-related, do not simultaneously affect ROA.

In some instances, such as BPRS HIK Parahyangan, the simultaneous influence may not be visible due to internal bank factors that actively maintain the balance between capital, risk, and liquidity. Furthermore, the research also shows that the synergy between financial performance ratios greatly influences the profitability of BPRS. If one variable is not optimal, then the simultaneous effect becomes weaker. Additionally, the data used in the study, from 2015 to 2023, reflects diverse economic and regulatory conditions, including periods of crisis or policy changes that affect bank performance differently. These variations can weaken the simultaneous relationship of the three ratios with ROA. It is also possible that other more dominant factors, such as product innovation, the quality of bank services, regulations, the level of industry competition, or macroeconomy conditions, have a greater influence on ROA or the profitability of BPRS.

CONCLUSION

This research points out that the Capital Adequacy Ratio (CAR) has a considerable negative impact on Return on Asset (ROA), suggesting that an increase in the capital ratio does not necessarily correlate with enhanced profitability, which suggests suboptimal capital utilization and the tendency of BPRS to maintain capital conservatively, resulting in available funds not being fully productive. Net Performing Financing (NPF) and Financing to Deposit Ratio (FDR) partially do not affect Return on Asset (ROA), which means that variations in problematic funding or fund disbursement levels do not significantly affect the profitability or income of BPRS over the research period. The CAR, NPF, and FDR variables concurrently exert no influence on the ROA variable, suggesting that the interplay of these three variables tends to neutralize their impact on profitability. Given constraints of sample size and variables in this study, the author recommends that future research should encompass a wider data range and incorporate more pertinent variables to re-evaluate and investigate the potential for novel research outcomes under varying situations and timeframes. Thus, this research also provides input that can be considered by BPRS HIK Parahyangan, such as optimizing capital utilization,

improving operational efficiency and cost management, designing product diversification and service innovation strategies, as well as strengthening risk management to maintain financing quality and sustainably increasing profitability.

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