

DETERMINANTS OF THE PROFITABILITY OF BANK PEMBANGUNAN DAERAH IN SULAWESI

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ABSTRACT

This research aims to analyze the determinants of credit risk factors, operational risk, liquidity risk, market risk, governance (GCG), earning, capital, bank size, and core capital that have a partial or simultaneous influence on the profitability of Bank Pembangunan Daerah (BPD) in Sulawesi for the 2016-2020 period using the risk-based bank rating (RBBR) method with a quantitative descriptive approach. Data collection used an annual financial report published through each bank at 4 (four) regional banks headquartered in Sulawesi. The factors tested are credit risk with NPL (Non-Performing Loan) proxy, an operational risk with BOPO proxy (Operational Income Operating Expenses ratio), liquidity risk with LDR (Loan to Deposit Ratio) proxy, a market risk with PDN ratio proxy (Position Net Foreign Exchange), governance (GCG), profitability with NIM (Net Interest Margin) proxy, capital with CAR (Capital Adequacy Ratio) proxy, bank size as proxy for total assets, core capital ratio (MI) and profitability with profitability return proxies on assets (ROA). Based on the results of the Simultaneous F test research, shows that credit risk, operational risk, liquidity risk, market risk, governance (GCG), profitability, capital, bank size, and core capital simultaneously have a significant influence on profitability for the 2016-2020 period with the profitability value of F-statistic is smaller than alpha (0.05) which is $0.0000 < 0.05$. The results of the Partial T-test show that there are 6 (six) factors, each of which has a partial influence on ROA profitability, namely NPL, BOPO, LDR, NIM, CAR, and total assets with a probability value of t-statistic smaller than alpha (0.05) that is equal to $0.0000 < 0.05$ and 3 (three) factors, each of which has no partial influence on ROA profitability, namely governance (GCG), PDN and MI probability value of t-statistic is greater than alpha (0.05) that is equal to $0.0000 > 0.05$.

Keywords: Risk Profile, Good Corporate Governance, Earning, Capital, and Risk-Based Bank Rating (RBBR)

INTRODUCTION

Banking is one of the financial service institutions that have an important role in the financial system of a country and is a measure of the success or failure of an economy. These financial institutions, especially banks, have colored the country's economic activities, whose existence is as a financial intermediary institution which is also a part of the important support for the financial sector is playing a dynamic role in economic function. Economic potential depends on the efficiency and financial structure of financial management, the alternative of which relies on a sound and smooth banking system. With this function as an intermediary institution, banks must

have good performance, so that they can gain the trust of all customers (agent of trust) so banks must be managed properly.

Bank Pembangunan Daerah (BPD) is one of the banks in the national banking system that has a significant function and role in the context of regional economic development because BPD can open a service network in areas that are economically impossible for private banks. BPD has an inseparable relationship with the regional economy so BPD continues to be attached to the name of the place where the BPD was founded. In addition, BPDs that carry out commercial bank activities whose majority function as Regional Treasury Holders from each Regional Government, so BPDs have different characteristics from other commercial banks. BPD is a Regional Owned Enterprise that is very dependent on the Regional Government. The role of BPD which is quite important in regional economic development as an intermediary institution encourages BPD to be able to improve its performance.

Assessment of bank financial performance using a risk-based approach (Risk-Based Bank Rating) is a comprehensive and structured assessment of the results of the integration between risk profile and performance which includes the implementation of good governance, profitability, and capital as stipulated in the Financial Services Authority Regulation Number 4/POJK .03/2016 regarding Assessment of Commercial Bank Soundness Level. This Financial Services Authority Regulation regulates the health of the Bank as a means for the Supervisory Authority to determine the strategic and supervisory focus of the Bank. Changes in business complexity and risk profile may originate from the Bank or the Bank's subsidiary companies as well as changes in the approach to assessing the Bank's condition that is applied internationally affect the approach to assessing the soundness of banks. Therefore, to increase the effectiveness of the assessment of the soundness of the bank, it is necessary to assess the level of the soundness of the bank using a risk-based bank rating (RBBR) approach and adjusted to the implementation of consolidated supervision.

According to (Sofyan, 2003:27) that the most appropriate measure of banking performance is to measure the ability of banks to generate profits from various activities they carry out, as generally the purpose of a company being established is to achieve high value, where to achieve this value, the company must be able to efficiently and effectively manage various kinds of activities. One measure to find out how far the efficiency and effectiveness are achieved is by looking at the company's profitability, the higher the profitability, the more effective and efficient the management of company activities is. Measures of bank profitability can be seen from various ratios, such as Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), and Operating Cost Ratios more specifically that the right profitability measure in assessing the performance of the banking industry is ROA.

Bank survival as measured by the Risk-Based Bank Rating (RBBR) method as stipulated in the Financial Services Authority Regulation number 4/POJK.03/2016 regarding the Assessment of Commercial Banks Soundness Level, through several assessment indicators including Risk Profile, GCG, Earning, and Capital (Risk Profile, Good Corporate Governance, Earning, Capital (RGEC), Bank size, core capital of total assets with Bank survival indicators measured by profitability ratios and by measuring 4 (four) risks out of 8 (eight) risks, where credit risk is measured by the ratio of non-performing loans (NPL), operational risk is measured by the ratio of Operating Expenses to Operating Income (BOPO), liquidity risk is measured by the loan to deposit ratio (LDR), and market risk is measured by the ratio of the Net Open Position. (PDN). The factor of Good Corporate Governance (GCG) is measured from the composite value, the Profitability

factor is measured by the ratio of Net Interest Margin (NIM) and Capital is measured by capital adequacy through the Capital Adequacy Ratio (CAR).

Research on bank viability (Kocenda et al, 2021) suggests that bank survival is very important for bank growth which as a whole is measured by the CAMELS rating through several components, namely capital adequacy, asset quality, and management quality, income, liquidity, and sensitivity to market risk. Estimates of the impact of the CAMELS component on bank viability vary widely and result in a relatively small economic impact of the CAMELS component and no impact from other factors, so caution is required in predicting bank survival or failure with the CAMELS scoring rating.

In addition, research on the analysis of the influence of bank soundness is research (Astutik, 2014) which is analyzed based on the Risk-Based Bank Rating (RBRR) method on the financial performance of Islamic commercial banks in Indonesia as proxied by Return on Assets (ROA). The ratios used in the RBRR measurement include credit risk (Non-Performing Financing/NPF), liquidity risk (Financing to Deposit Ratio/FDR), the composite value of Good Corporate Governance, Operating Costs to Operating Income (BOPO), Net Operating Margin (NOM), and the Capital Adequacy Ratio (CAR) which shows that NPF, FDR, GCG, BOPO, NOM, and CAR influence financial performance (ROA) and research (Pandia, 2012) states that benchmarks of bank health will be seen from the performance of a bank, especially in terms of the existing profitability ratios. The growth of BPD performance according to published report data for each BPD for the period 2016-2020, can be seen in Figure 1.

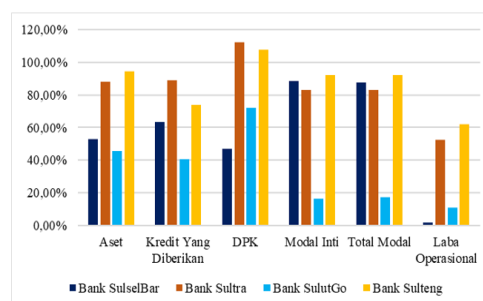


Figure 1
 Development of Growth, Performance of Bank Pembangunan Daerah in Sulawesi in 2016-2020
 (Source: Annual Publication Report)

The figure above shows the performance of each BPD in 2016-2020 continues to experience growth in each certain financial post, it is also reflected that the source of bank funding comes from third-party fundraising funds (TPF) which is a factor in increasing the Bank's assets, followed by core capital, the high total assets, and bank deposits show the bank's optimization in managing which can generate operational profits and maintain the viability of the BPD. Therefore, the researcher wishes to analyze the determinants of the survival of BPD in Sulawesi according to the Financial Services Authority Regulation Number 4/POJK.03/2016 regarding the Assessment of the Soundness of Commercial Banks.

Another very important indicator of banking health is the capital indicator, an issue that can currently affect the viability of commercial banks with the issuance of the Financial Services Authority Regulation Number 12/POJK.03/2021 regarding Commercial Bank Consolidation which requires Commercial Banks, especially Bank Pembangunan Daerah (BPD)) to meet the minimum core capital (MIM) of IDR 3 trillion until December 31, 2024. The following data related

to the fulfillment of the minimum core capital (MIM) of BPD in Indonesia at the position of December 31, 2020, can be seen in Figure 2 :

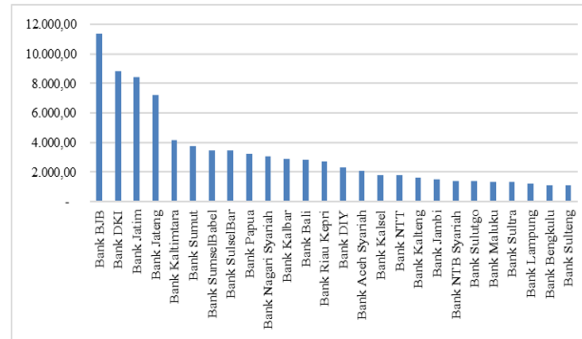


Figure 2
 BPD Core Capital in Indonesia
 (Source: Annual Publication Report)

Based on the above phenomena as well as empirical studies that the lack of research that analyzes the determinants of BPD survival according to region, another thing also shows that the results of empirical studies still use the CAMELS component which has now changed to RBBR. Therefore, this research is based on the phenomenon gap and the research gap, so research was conducted by analyzing the determinants of the survival of BPD in Sulawesi for the 2016-2020 period through a risk-based approach including Non Performing Loans (NPL), the ratio of Operating Expenses to Operating Income (BOPO), Loan to Deposit Ratio (LDR), Net Open Position (PDN), governance (GCG), Net Interest Margin (NIM), Capital Adequacy Ratio (CAR), bank size, core capital ratio (MI) and survival with return on asset (ROA) profitability proxy.

Theoretical Framework

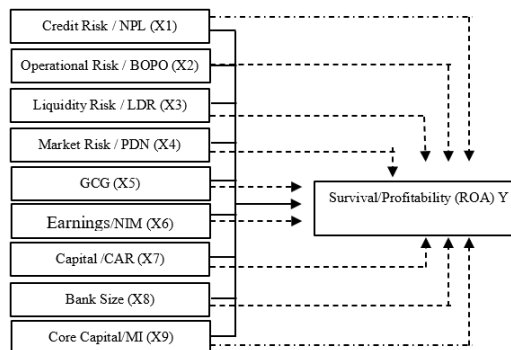


Figure 3
 Theoretical Framework

Description:
 -----> Individual Partial Influence
 -----> Simultaneous influence

Research Hypothesis

Based on the description of the research and the theoretical framework that has been stated previously, the hypotheses proposed in this research are as follows :

H1 : It is suspected that there is a simultaneous influence of credit risk factors, operational risk, liquidity risk, market risk, earning, capital, bank size, and core capital simultaneously influence the viability of BPDs in Sulawesi.

H2 : It is suspected that there is a partial influence of credit risk, operational risk, liquidity risk, market risk, earning, capital, bank size, and core capital on the viability of BPDs in Sulawesi.

METHOD

The type of research used is descriptive quantitative. The population in this research was PT Bank Pembangunan Daerah operating in Sulawesi totaling 4 (four) BPDs, namely BPD SulselBar, BPD Sultra, BPD Sulutgo and BPD Sulteng. Obtained data in the form of financial reports published by the company through the internet and then accessed on the website of each BPD which became the research sample.

Variable Operational Definition

The operational definition of variables in this research used a measurement scale in the form of ratios including ROA, NPL, BOPO, LDR, PDN, GCG, NIM, CAR, MI, and Loan total assets.

Data Analysis Technique

The data analysis technique was carried out using panel data and processed using the evIEWS 12 program. The panel data regression estimation model was carried out through 3 (three) approaches, namely the common effect model, fixed effect model, and random effect model. Furthermore, the model selection technique was carried out through the Chow and Hausman tests.

RESULTS AND DISCUSSION

Results

1. Panel Data Characteristics

The time-series data is from 2016 to 2020, which is for 5 (five) years, while the cross-section data is from 4 (four) Bank Pembangunan Daerah (BPD) in Sulawesi. The dependent variable in this research was profitability with a proxy return on assets (ROA) as variable Y while the independent variables consist of Non-performing loans (NPL) as X1 variable, the ratio of Operating Expenses to Operating Income (BOPO) as X2 variable, loan to deposit ratio (LDR) as X3 variable, Net Open Position (PDN) ratio as X4 variable, Net Interest Margin (NIM) as X5 variable, Capital Adequacy Ratio (CAR) as X6 variable, Total Assets as X7 variable, Core Capital Ratio (tier 1) as X8 variable and the adequacy ratio of the Bank's Independent Management as X9 variable.

2. Descriptive Statistics Test

Descriptive statistical analysis was conducted to provide an overview of the data used. The variables used in this research were independent, namely credit risk factors (NPL_X1), operational risk (BOPO_X2), liquidity risk (LDR_X3), market risk (PDN_X4), GCG (GCG_X5), profitability (NIM_X6), capital (CAR_X7), Bank size (SIZE_X8), core capital (MI_X9) and the dependent variable profitability (ROA_Y). Research variables are interpreted in terms of mean, median, maximum, minimum, and standard deviation values. The number of observations in the research

is 20 data which is a combination of 4 Bank Pembangunan Daerah data in Sulawesi for the 2016-2020 period. The results of the descriptive statistics of the research are presented in table 1 below.

Table 1
Descriptive Statistics Test

	Mean	Median	Maximum	Minimum	Std. Dev.
ROA_Y	3.068500	3.095000	4.960000	1.440000	0.881955
NPL_X1	1.437500	1.355000	3.580000	0.510000	0.735476
BOPO_X2	74.77750	73.42500	89.34000	60.13000	7.331725
LDR_X3	99.25950	99.55000	121.4200	69.43000	13.63059
PDN_X4	2.350000	0.000000	10.00000	0.000000	4.221187
GCG_X5	66.30000	67.00000	67.00000	60.00000	2.154555
NIM_X6	7.331000	7.080000	9.600000	6.030000	1.091667
CAR_X7	23.24200	24.91000	28.15000	15.19000	4.469893
SIZE_X8	16.19100	16.21000	17.03000	15.27000	0.532402
MI_X9	95.85000	96.00000	97.00000	94.00000	1.039990
Observations	20				

Source: Data processed with eviews 12, 2022

The results above show that the calculation results from the descriptive analysis along with the mean, median, maximum, minimum, and standard deviation values and probabilities for 5 (five) years from 2016-2020 represent positively the overall data that includes risk factors. credit (NPL_X1), operational risk (BOPO_X2), liquidity risk (LDR_X3), market risk (PDN_X4), GCG (GCG_X5), Earning (NIM_X6), capital (CAR_X7), Bank size (SIZE_X8), core capital (MI_X9) and the dependent variable of profitability (ROA_Y).

3. Panel Data Regression Model Selection

1) Chow test on the fixed-effect model

The hypothesis formed is H0: Common Effect Model, H1: Fixed Effect Model with criteria H0 is confirmed if the value of probability Cross Section $F > 0.05$ or Ha is confirmed if the value of probability Cross Section $F < 0.05$.

Table 2
Chow test results

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.855672	(3,7)	0.5067
Cross-section Chi-square	6.248227	3	0.1001

Source: Data processed with eviews 12, 2022

The results above show that the value of probability cross-section F of 0.5067 is greater than alpha (0.05) so H0 is confirmed. So the appropriate method for conducting regression testing in this research is the common effect model. The Chow test shows that the selected model is a common effect model, so the next step is to perform the Lagrange Multiplier test.

2) Lagrange Multiplier (LM) test on the fixed-effect model

The hypothesis formed is H0: the data uses the common effects model, H1: the data uses a random-effects model with the test criteria H0 is confirmed if the value of probability cross-section Breusch is > 0.05 , or Ha is confirmed if the Breusch-pagan cross-section value is < 0.05 .

Table 3
Lagrange Multiplier Test

Lagrange Multiplier Tests for Random Effects			
Null hypotheses: No effects			
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives			
	Cross-section	Test Hypothesis Time	Both
Breusch-Pagan	0.225053 (0.6352)	1.058730 (0.3035)	1.283783 (0.2572)

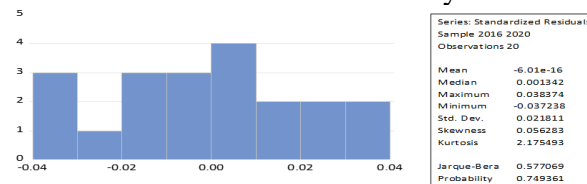
Source: Data processed with eviews 12, 2022

The results of the lagrange multiplier test using the Breusch-Pagan method, indicate that the value of the probability cross-section of the Breusch-Pagan is greater than 0.05, which is 0.6352. So H_0 is confirmed which indicates that the best estimation method is the common effect model. The results of the Chow and Lagrange multiplier tests show that the best estimation model is the common effects model, so the best estimation method used in this research is the common effect model.

4. Classic assumption test

1) Normality test

The data is normally distributed if the calculated JB (Jarque-Bera) probability value is > 0.05 alpha level or the data is not normally distributed if the JB (Jarque-Bera) probability value is < 0.05 alpha level. The results of the normality test are :



Source: Data processed with eviews 12, 2022

Figure 4
Normality test

The results above show that the calculated JB probability value is $0.7494 > 0.05$, this indicates that the residuals have been normally distributed, which means that the classical assumptions about normality have been met.

2) Multicollinearity Test

The criteria for testing are that the data does not occur multicollinearity, if the coefficient value is < 0.80 , or data have multicollinearity if the coefficient value is > 0.8 . The results of the multicollinearity test are :

Table 4
Multicollinearity Test

	NPL	BOPO	LDR	PDN	GCG	NIM	CAR	SIZE	MI
NPL	1.000	0.625	-0.348	-0.586	-0.587	0.103	-0.399	-0.203	-0.508
BOPO	0.625	1.000	-0.163	-0.546	-0.617	0.190	-0.677	0.035	-0.595
LDR	-0.348	-0.163	1.000	0.718	0.071	-0.122	-0.173	0.593	-0.191
PDN	-0.586	-0.546	0.718	1.000	0.190	-0.206	0.039	0.682	0.085
GCG	-0.587	-0.617	0.071	0.190	1.000	0.039	0.592	-0.243	0.608
NIM	0.103	0.190	-0.122	-0.206	0.039	1.000	-0.549	-0.020	-0.424
CAR	-0.399	-0.677	-0.173	0.039	0.592	-0.549	1.000	-0.558	0.897
SIZE	-0.203	0.035	0.593	0.682	-0.243	-0.020	-0.558	1.000	-0.518
MI	-0.508	-0.595	-0.191	0.085	0.608	-0.424	0.897	-0.518	1.000

Source: Data processed with EVIEWS 12, 2022

The results above show that the correlation coefficient between the independent variables of credit risk (NPL), operational risk (BOPO), liquidity risk (LDR), market risk (PDN), GCG (GCG), profitability (NIM), capital (CAR), size Bank (SIZE) and core capital (MI) are smaller ($<$) 0.90, so it can be concluded that the regression model and the nine independent variables in this research do not have multicollinearity problems.

3) Heteroscedasticity Test

There is no heteroscedasticity problem in the data, if the probability value is $>$ 0.05 alpha level or the data has heteroscedasticity problems, if the probability value is $<$ 0.05 alpha level. The results of the heteroscedasticity test are :

Table 5
Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.590685	0.501183	-1.178582	0.3235
NPL_X1	0.008301	0.002974	2.791229	0.0683
BOPO_X2	-0.002370	0.001036	-2.287178	0.1062
LDR_X3	0.000114	0.000187	0.610828	0.5845
PDN_X4	-0.002259	0.001010	-2.237167	0.1113
GCG_X5	0.005310	0.001792	2.962840	0.0594
NIM_X6	-0.013332	0.008492	-1.569877	0.2145
CAR_X7	-0.007493	0.004729	-1.584627	0.2112
SIZE_X8	-0.013308	0.021491	-0.619235	0.5796
MI_X9	0.009421	0.004236	2.224285	0.1126

Source: Data processed with EVIEWS 12, 2022

The results above show that the probability of each independent variable is credit risk (NPL), operational risk (BOPO), liquidity risk (LDR), market risk (PDN), GCG (GCG), profitability (NIM), capital (CAR), Bank size (SIZE) and core capital (MI) have values $>$ alpha 0.05, so it can be concluded that the regression model does not experience heteroscedasticity problems.

4) Autocorrelation Test

There is no autocorrelation problem in the data, if the Probability Obs*R-squared value $>$ 0.05 alpha level or the data has autocorrelation problems if the Probability Obs*R-squared value $<$ 0.05 alpha level. The results of the autocorrelation test are :

Table 6
Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:			
Null hypothesis: No serial correlation at up to 2 lags			
F-statistic	0.491457	Prob. F(2,8)	0.6291
Obs*R-squared	2.188407	Prob. Chi-Square(2)	0.3348

Source: Data processed with eviews 12, 2022

The results above show that the LM test results show that the probability obs*r-squared value is 0.3348 $>$ 0.05, so it can be concluded that the data in this research does not have an autocorrelation problem.

5. Panel Data Multiple Regression Analysis Results

The results of the estimation of the equation after going through the Chow and Lagrange multiplier tests the model used in this research is the common effects model with the following estimation results :

Table 7
Common Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.432132	2.339959	0.184675	0.8572
NPL_X1	0.047459	0.017749	2.673860	0.0233
BOPO_X2	-0.009244	0.003095	-2.987023	0.0136
LDR_X3	0.002489	0.000928	2.681033	0.0231
PDN_X4	-0.003727	0.005276	-0.706400	0.4961
GCG_X5	0.005536	0.006303	0.878369	0.4004
NIM_X6	0.087414	0.020756	4.211412	0.0018
CAR_X7	0.039134	0.010391	3.765974	0.0037
SIZE_X8	0.135726	0.051305	2.645471	0.0245
MI_X9	-0.038546	0.020433	-1.886407	0.0886

Source: Data processed with eviews 12, 2022

$$\text{ROA} = 0.432 + 0.047 \text{NPL} - 0.009 \text{BOPO} + 0.002 \text{LDR} - 0.004 \text{PDN} + 0.006 \text{GCG} + 0.087 \text{NIM} + 0.039 \text{CAR} + 0.136 \text{SIZE} - 0.039 \text{MI}$$

6. Hypothesis Testing

1) F-Test

The criteria for testing are if probability < 0.05 significance level, then H1 is confirmed, namely credit risk factors, operational risk, liquidity risk, market risk, GCG, profitability, capital, bank size, and core capital simultaneously affect the profitability of the Bank Pembangunan Daerah in Sulawesi for the 2016-2020 period. If the probability $>$ the significance level of 0.05, then H0 is confirmed, which means that credit risk, operational risk, liquidity risk, market risk, GCG, profitability, capital, bank size, and core capital simultaneously have no influence on profitability at Bank Pembangunan Daerah in Sulawesi for the 2016-2020 period.

Table 8
F . statistic test results

Root MSE	0.021258	R-squared	0.974735
Mean dependent var	0.467796	Adjusted R-squared	0.951996
S.D. dependent var	0.137217	S.E. of regression	0.030064
Akaike info criterion	-3.864122	Sum squared resid	0.009038
Schwarz criterion	-3.366256	Log likelihood	48.64122
Hannan-Quinn criter.	-3.766934	F-statistic	42.86665
Durbin-Watson stat	2.093925	Prob(F-statistic)	0.000001

Source: Data processed with eviews 12, 2022

The results above show that hypothesis 1: It is suspected that credit risk, operational risk, liquidity risk, market risk, GCG, profitability, capital, bank size, and core capital simultaneously influence the profitability of Bank Pembangunan Daerah in Sulawesi for the 2016-2020 period. The probability value of the F-statistic is smaller than alpha (0.05), which is $0.0000 < 0.05$. This means that the independent variables of credit risk factors, operational risk, liquidity risk, market risk, GCG, profitability, capital, bank size, and core capital simultaneously influence the profitability of Bank Pembangunan Daerah in Sulawesi for the 2016-2020 period. Based on these statistical results, the first hypothesis is confirmed.

2) Partial T-Test

If the probability value is $\leq \alpha$ (0,05), the hypothesis is confirmed and if the probability value is $\geq \alpha$ (0,05), the hypothesis is rejected.

Table 9
T - statistic test results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.432132	2.339959	0.184675	0.8572
NPL_X1	0.047459	0.017749	2.673860	0.0233
BOPO_X2	-0.009244	0.003095	-2.987023	0.0136
LDR_X3	0.002489	0.000928	2.681033	0.0231
PDN_X4	-0.003727	0.005276	-0.706400	0.4961
GCG_X5	0.005536	0.006303	0.878369	0.4004
NIM_X6	0.087414	0.020756	4.211412	0.0018
CAR_X7	0.039134	0.010391	3.765974	0.0037
SIZE_X8	0.135726	0.051305	2.645471	0.0245
MI_X9	-0.038546	0.020433	-1.886407	0.0886

Source: Data processed with eviews 12, 2022

The results above show that there are 6 (six) variables that have a significant influence on ROA profitability, namely NPL, BOPO, LDR, NIM, CAR, and SIZE because each probability value $\leq \alpha$ (0,05), and there are 3 (three) variables. which have no significant influence on ROA profitability, namely PDN, GCG, and MI because the probability value is $\geq \alpha$ (0,05).

3) Coefficient of Determination (R²)

The value of the coefficient of determination is zero and one. A small value of R² means that the ability of the independent variables in explaining the variation of the dependent variable is very limited.

Table 10.
Coefficient of Determination (R²)

R-squared	0.974735
Adjusted R-squared	0.951996
S.E. of regression	0.030064
Sum squared resid	0.009038
Log likelihood	48.64122
F-statistic	42.86665
Prob(F-statistic)	0.000001

Source: Data processed with eviews 12, 2022

The results above show that the adjusted r square value is 0.9519, this indicates that credit risk, operational risk, liquidity risk, market risk, GCG, profitability, capital, bank size, and core capital have a strong influence on profitability at Bank Pembangunan Daerah in Sulawesi for the 2016-2020 period. The proportion of the influence of credit risk, operational risk, liquidity risk, market risk, GCG, profitability, capital, bank size, and core capital on profitability at Bank Pembangunan Daerah in Sulawesi for the 2016-2020 period is 95.19 percent while the rest is 4.81 percent (100 – 95.19 percent) is influenced by other variables not examined in the research.

Discussions

The Influence of Credit Risk/Non-performing Loans (NPL) on the profitability of BPDs in Sulawesi

Non-Performing Loans (NPL) significantly positively influence the profitability of BPDs in Sulawesi at a significant level of the NPL ratio coefficient of 0.05 (5%) which indicates that if there is an increase in the NPL ratio, the bank's profitability will mainly come from interest arrears claims and fines that arise as a result of the non-performing loans. Therefore, the high NPL ratio does not only reflect the low quality of credit management which results in a decrease in profit but there is the potential for bank receipts from other income in the form of interest arrears and penalties. Therefore, it is concluded that the hypothesis regarding the Influence of Credit

Risk/Non-Performing Loans (NPL) on the profitability of BPDs in Sulawesi proposed in this research is confirmed. The average credit risk of BPD in Sulawesi during 2016-2020 is 1.44% or less than 5%. This indicates that banks tend to be able to control the level of credit risk which is influenced by the market share of bank lending, which is still dominated by consumptive lending to the State Civil Apparatus (ASN), whose average consumer loan portfolio reaches >80%. Risk mitigation on consumptive lending to ASN is considered adequate considering the salaries of ASN which are managed directly by the BPD and is carried out with an auto-debit mechanism from the debtor's account at the bank.

The influence of Operational Risk/BOPO on the Profitability of BPD in Sulawesi

The BOPO ratio significantly negatively influences the profitability of BPD in Sulawesi at a significant level of BOPO ratio coefficient of -0.01 which indicates that if there is a decrease in the BOPO ratio, it will have the potential to increase bank profitability. The average BOPO of BPD is influenced by each high workload. Therefore, it can be concluded that the hypothesis regarding the Influence of Operational Risk (BOPO) on the Profitability of BPD in Sulawesi proposed in this research is confirmed. The average operational risk (BOPO) of BPD in Sulawesi during 2016-2020 is 74.78% or less than 90% according to the provisions set by the Banking Regulator to achieve high profitability. This indicates that banks tend to be able to control the level of operational risk.

The influence of Liquidity Risk/LDR on the Profitability of BPD in Sulawesi

LDR has a positive influence on bank profitability with a coefficient level of 0.002, so it is concluded that the hypothesis regarding the influence of LDR (Loan to Deposit Ratio) proposed in this research is confirmed. The high LDR of the Bank reflects the level of liquidity that is not good, however, the high LDR reflects that the bank is optimizing the funds it has for lending to generate high loan interest income. The average liquidity risk (LDR) of BPDs in Sulawesi during 2016-2020 is 99.25% or more than 87% but is still below 100% according to the provisions set by the Banking Regulator to achieve high profitability. This indicates that third-party funds (TPF) owned by banks are optimized in the form of credit, thereby increasing the profitability of the bank's ROA.

The Influence of Market Risk/PDN on the Profitability of BPD in Sulawesi

The PDN ratio does not influence bank profitability, so it is concluded that the hypothesis regarding the influence of the Net Open Position (NOP) ratio proposed in this research can be rejected. The average market risk (PDN) of BPDs in Sulawesi during 2016-2020 was 2.35% or lower than 20% according to the provisions set by the Banking Regulator to achieve high profitability. This is influenced by the sampling data of BPDs in Sulawesi which is exposed to high market risk as reflected in the ratio of NOPs to only 1 (one) BPD, namely PT BPD South and West Sulawesi which are foreign exchange funds, while the other 3 (three) BPDs are zero because they are not categorized as foreign exchange bank.

The influence of governance/GCG factors on the Profitability of BPD in Sulawesi

The governance factor (GCG) does not influence bank profitability, so it is concluded that the hypothesis regarding the influence of the governance factor (GCG) proposed in this research

can be rejected. The average independent governance function (GCG) of BPD in Sulawesi during 2016-2020 was 66.30%.

The Influence of Profitability/NIM on the Profitability of BPD in Sulawesi

Profitability (NIM) has a positive influence on bank profitability with a coefficient level of 0.09, so it can be concluded that the hypothesis regarding the influence of profitability (NIM) proposed in this research is confirmed. This indicates that if there is an increase in the bank's profitability factor from the NIM ratio, it will increase the bank's profitability, mainly from an increase in profit from the large difference in loan interest income and interbank interest income to the interest expense of deposits. The average profitability (NIM) of BPD in Sulawesi during 2016-2020 was 7.33% or higher than 5% according to the provisions set by the Banking Regulator.

The Influence of Capital/CAR on the Profitability of BPD in Sulawesi

Capital (CAR) has a positive influence on bank profitability with a coefficient level of 0.04, so it is concluded that the hypothesis related to the influence of capital (CAR) proposed in this research is confirmed. The average capital (CAR) of BPDs in Sulawesi during 2016-2020 was 23.24% or higher than 10% according to the provisions set by the Banking Regulator regarding the minimum CAR according to the bank's risk profile.

The Influence of Bank Size on the Profitability of BPD in Sulawesi

Bank size has a positive influence on bank profitability with a coefficient level of 0.14, so it is concluded that the hypothesis regarding the influence of bank size proposed in this research is confirmed. The average bank size of BPD in Sulawesi during 2016-2020 of total assets of IDR. 16.19 trillion or higher than IDR. 10 trillion by the provisions stipulated by the Banking Regulator regarding banks with high significance.

The Influence of Core Capital/MI on the Profitability of BPD in Sulawesi

The core capital of the bank does not influence the profitability of BPD in Sulawesi. The average total core capital of banks that are the focus of this research are BPDs in Sulawesi during 2016-2020 with total capital still below IDR. 1 trillion which is included in the category of Bank Group with Core Capital (KBMI) 1. This shows that the low total capital of BPD in Sulawesi affects the flexibility of banks to carry out their business activities, which means that banks are limited to carrying out business activities to obtain maximum profitability. Therefore, a strong total capital will provide a variety of choices so that financial planning can be carried out properly and provide high profitability for the bank.

CONCLUSIONS

From the results of the research analysis and discussion of the determinants of the profitability of BPD in Sulawesi for the 2016-2020 period, the conclusions are determined as follows :

1. Credit risk factors (NPL), operational risk (BOPO), liquidity risk (LDR), market risk (PDN), governance (GCG), profitability (NIM), capital (CAR), bank size and core capital (MI) simultaneously significantly influence the profitability of BPD in Sulawesi during 2016-2020.
2. Credit risk factors (NPL), operational risk (BOPO), liquidity risk (LDR), profitability (NIM), capital (CAR), and bank size partially significantly influence the profitability of BPD in

Sulawesi during 2016-2020. However, market risk (PDN), governance (GCG), and core capital (MI) did not influence the profitability of BPDs in Sulawesi during 2016-2020. Things that influence are :

- a. BPDs in Sulawesi that is exposed to market risk through the PDN ratio are only 2 (two) BPDs, namely BPD Sulselbar and BPD Sulutgo which are foreign exchange banks, while the other 2 (two) BPDs have not carried out business activities as foreign exchange banks. Another influencing factor is exchange rate movements that are contrary to what the bank expects. Exchange rate movements are difficult to predict and many factors influence exchange rate movements, both originating from fundamentals such as interest rates, inflation rates, demand and supply of foreign currency credit, and market sentiment.
- b. The implementation of good corporate governance (GCG) by banks as demand for existing and long-term provisions/regulations as an assessment of non-financial aspects, so that the level of success in implementing GCG cannot be measured if it only depends on one accounting period that is different from the previous one, short-term profitability measurement. Therefore, the impact of changes to the implementation of GCG cannot be directly reflected in the financial aspect.
- c. Mapping of BPD in Sulawesi which currently still has a core capital of up to IDR. 6 trillion and is still in the category of Bank Group with Core Capital (KBMI 1). The lower total BPD capital can affect the flexibility of banks or limited banks to carry out business activities and vice versa to obtain maximum profitability.

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