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THE EFFECT OF NON-PERFORMING LOAN (NPL) AND LOAN TO DEPOSIT RATIO (LDR) ON RETURN ON ASSETS (ROA) AT PT BANK PEMBANGUNAN DAERAH PAPUA

Helmi Toatubun [1]), Rahmi [2])
College of Economics Port Numbay Jayapura
[1]helmitoatubun@gmail.com, [2]Rahmiami768@gmail.com

ABSTRACT

This study aims to analyze the effect of Non-Performing Loan (NPL) and Loan to Deposit Ratio (LDR) on Return on Assets (ROA) in PT Bank Pembangunan Daerah Papua. The analysis method used is multiple linear regression. The results of the analysis show that partially, NPLs have a negative and significant effect on ROA, which means that the higher the level of non-performing loans, the lower the bank's profitability level. Meanwhile, LDR had a positive but insignificant effect on ROA, indicating that although increasing LDR may increase profitability, the effect is not strong enough to significantly affect ROA. However, simultaneously, the NPL and LDR variables had a positive and significant effect on ROA, which suggests that the two variables, when considered together, can make a significant contribution to the bank's financial performance.

Keywords : Non-Performing Loan, Loan to Deposit Ratio, Return On Assets

INTRODUCTION

The banking sector has a fundamental role in driving economic growth, especially in areas with unique geographical and economic characteristics such as Papua. The Papua Regional Development Bank (BPD) carries out a strategic mission to support economic development in the Papua region through effective financial instruments. In this context, the bank's ability to manage and optimize its resources is a critical factor that determines its performance and contribution to regional development. As a regional development bank, one of the main functions of BPD Papua is to distribute credit to sectors that need funding to strengthen the regional economy. In carrying out this function, banks must optimally manage various financial indicators, one of which is the Loan to Deposit Ratio (LDR) and Non-Performing Loan (NPL).

NPLs are one of the key indicators in assessing the quality of a bank's credit portfolio. According to Kasmir (2021), NPLs or non-performing loans are loans that no longer provide the results expected by banks due to payment constraints from debtors. NPLs are generally classified into categories of less current, doubtful, or stuck, depending on the severity of the payment problem. According to Dendawijaya's theory (2019), loans that cannot fulfill their obligations are in accordance with a predetermined agreement between the bank and the debtor. NPLs occur when a borrower fails to pay installments or interest within an agreed time, or is even unable to pay off his debt at all. High NPLs can affect a bank's overall performance, increase the cost of loan loss provisions, and

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lower the bank's profit. Therefore, effective NPL management is essential in maintaining the bank's financial stability and mitigating existing risks.

LDR represents the bank's ability to channel third-party funds into productive credit. Dendawijaya (2019) explained that LDR is important to assess bank liquidity, where a ratio that is too high can indicate that the bank is at risk of experiencing a lack of liquidity because too many funds are channeled in the form of credit. On the other hand, an LDR that is too low can indicate that the bank does not optimally utilize the funds collected to be distributed back to the public in the form of credit. Meanwhile, according to Kasmir (2021), an LDR that is too high can indicate liquidity risk, while an LDR that is too low can indicate that banks are not optimal in distributing credit to the public. Therefore, an optimal LDR ratio is necessary to maintain a balance between credit growth and bank liquidity.

Meanwhile, Return on Assets (ROA) is a ratio used to measure a company's ability, especially in the banking sector, to generate a net profit from total assets owned. ROA indicates the level of efficiency in managing existing assets to generate profits. The higher the ROA, the more effective the bank is in generating profits from its assets, so that a good ROA is an important target for a bank (Kasmir, 2018). In the context of banking, ROA is also an important indicator supervised by regulators, such as Bank Indonesia or the Financial Services Authority (OJK), to assess the financial health of a bank. This ratio reflects the extent to which the bank is effectively utilizing its assets to generate revenue and provides stakeholders with an overview of the bank's financial performance.

The gap research in this study lies in the inconsistency of empirical findings related to the influence of NPL and LDR on ROA. Several previous studies showed different and inconsistent results, namely a study conducted by Sari and Abundanti (2016) found that NPLs had a significant negative effect on ROA, while Harun (2016) research, showing different results, found that NPLs did not have a significant effect on ROA. On the other hand, LDR according to Astuti and Wijaya research (2020) found that LDR has a positive relationship with ROA, with an increase in optimal credit disbursement can increase profitability. However, another study by Putra and Rahyuda (2021) found that LDR had a positive and insignificant effect on ROA.

PT. The Papua Regional Development Bank has unique operational characteristics, operating in regions with different geographical, economic, and social challenges compared to other regional banks. This can affect the relationship between NPL, LDR and ROA. Previous studies have shown varying results regarding the influence of NPLs and LDRs on ROA, both positively and negatively, depending on the operational context of each bank. Therefore, this study is important to understand how these two variables affect the financial performance of PT. The Papua Regional Development Bank, as well as providing strategic recommendations to support its growth and financial stability.

Financial Report

According to Davidson (2020), financial statements are records of financial information from a company in an accounting period and the existence of financial statements can be used to describe the company's performance, especially in the financial sector. In addition, according to the Indonesian Institute of Accountants (IAI) in 2015, financial statements are defined as a structure that presents the financial position and financial performance of an entity. IAI's perspective places financial statements as a comprehensive communication tool, aiming to provide useful information for users in

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making economic decisions. This definition underlines that financial statements are a systematic representation of a company's activities and financial condition.

Furthermore, according to Kasmir (2018), a financial statement is defined as a report that shows the company's financial condition in a certain period. Financial statements are an important tool to obtain information related to the company's financial position and results that have been achieved. Kasmir emphasized that financial statements are not just a collection of numbers, but a strategic instrument that provides in-depth insights into an organization's financial performance and health. Kieso, Weygant & Warfird (2018): Financial statements are a structured representation of an entity's financial position and financial performance. They define financial statements as the output of an accounting process designed to provide information about:

1. Financial position (via balance sheet)
2. Financial performance (through income statement)
3. Equity changes
4. Cash flow

Meanwhile, according to the Statement of Financial Accounting Standards (PSAK) No. 1 of 2020, it provides a more technical and in-depth definition. PSAK explains financial statements as a structured presentation of an entity's financial position and performance. Its main purpose is to provide information about the company's financial position, financial performance, and cash flow that is useful for various users in making economic decisions. PSAK emphasizes the comprehensive aspect of financial statements as a communication tool that covers various financial dimensions.

The Indonesian Accounting Association (IAI) in PSAK No. 1 (2020) states that the general purpose of financial statements is to assess the financial condition of a company, the company's performance, and the company's development so that it can plan the use of finance to make decisions and carry out these decisions in the future. According to (Kasmir, 2018) financial statements aim to:

1. Providing information on the type and amount of assets (assets) that the company currently owns.
2. Provides information on the type and amount of liabilities and capital that the company currently has.
3. Provides information on the type and amount of income earned in a given period.
4. Provides information on the amount of fees and types of expenses incurred by the company in a given period.
5. Providing information on changes that occur to the company's assets, assets, and capital.
6. Provides information about the company's management performance in a period.

Non Performing Loan

Non-Performing Loan (NPL) is a crucial concept in banking risk management that describes the quality of a bank's credit portfolio. According to Kasmir (2018), NPL is defined as the ratio of non-performing loans that include loans with less current, doubtful, and bad qualifications to the total loans disbursed by banks. This definition does not only measure the amount of non-performing loans, but also indicates the complexity of credit risks faced by banking institutions in managing their credit portfolios. The theoretical perspective developed by Dendawijaya (2019) Non-Performing Loans (NPL) is a loan

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that faces constraints in paying principal or interest so that it is classified as a non-performing loan, namely less liquid, doubtful, or stuck. NPLs reflect the level of credit risk faced by banks, where a high NPL ratio indicates poor credit quality and can have a negative impact on the bank's financial stability and performance. Dendawijaya explained that high NPLs reduce banks' income from loan interest and force banks to provide loss reserves, which directly affects banks' profitability and ability to channel new loans. Therefore, good NPL management is very necessary, especially through strict credit evaluation, guidance on debtors, and regular credit supervision to ensure that the health of the bank's credit portfolio is maintained.

Meanwhile, according to Ismail (2018), Non-Performing Loans (NPLs) are an important indicator in assessing the quality of a bank's credit portfolio and reflecting the level of credit risk faced by financial institutions. NPLs refer to loans whose principal or interest installment payments have been due for more than 90 days, or loans that are not expected to be fully repaid without special measures such as foreclosure of collateral. The high NPL ratio indicates that the bank's asset quality is declining, which can affect the bank's profitability, financial stability, and overall operational performance. Therefore, effective NPL management is essential to maintain the health of the banking system, including through the implementation of strict risk management policies, careful credit analysis, and continuous monitoring of credit portfolios.

Bank Indonesia Regulation (PBI) Number 22/13/PBI/2020 dated September 28, 2020, the higher the value of Non-Performing Loans (NPLs) exceeds 5%, the unhealthy the bank. If the ratio of Non-Performing Loans is below 5%, the potential profit obtained will be even greater. The determination of the Non-Performing Loan profile ratio is as follows:

Table 1. Determination of Non-Performing Loan (NPL) Risk Profile

Rating	Information	Criterion
1	Very healthy	NPL < 2%
2	Healthy	2% ≤ NPL < 5%
3	Quite healthy	5% ≤ NPL < 8%
4	Unhealthy	8% ≤ NPL < 12%
5	Not healthy	NPL ≥ 12%

Theoretically, NPLs can be understood as multidimensional instruments that do not just measure the percentage of non-performing loans, but reflect the complexity of credit risk management, the quality of bank governance, the effectiveness of credit analysis systems, and the ability of banks to manage and mitigate credit risks. This ratio is an important reflection of the bank's performance and strategy in carrying out the financial intermediation function by considering the principles of prudence and prudent risk management.

The implications of NPLs not only have an impact on the internal financial aspects of banks, but also have far-reaching consequences on the stability of the banking system as a whole. Therefore, an in-depth understanding and effective management of NPLs are key prerequisites for the sustainability and competitiveness of a bank in a competitive banking industry.

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This includes the use of funds for the purposes agreed upon in the credit agreement, as well as ensuring that the use of the credit does not violate the terms or limitations that have been set. In addition, banks also need to regularly monitor the debtor's ability to repay the credit that has been given. Banks must check whether the debtor meets the agreed payment schedule, observe whether there is a delay or inability of the debtor to pay, and take appropriate action if any payment problems arise.

This credit collectibility classification refers to Bank Indonesia Circular Letter Number 15/15/DKBU issued on August 15, 2013. Based on the characteristics of the borrower and the condition of the loan, there are several types of NPLs that can be identified:

1. Individual Non-Performing Loans (NPL): derived from loans to individuals, such as consumer loans (vehicle loans, personal loans), education loans, or housing loans.
2. Corporate Non Performing Loan (NPL): comes from a loan to a company or business entity. This can include working capital loans, investment loans, or other business loans.
3. Micro, Small, and Medium (MSME) Non-Performing Loans (NPL): originating from loans to micro, small, and medium enterprises (MSMEs). This type of NPL can occur due to operational constraints or market fluctuations.
4. Sector-Specific Non-Performing Loans (NPLs): appear in certain sectors, such as housing, agriculture, industry, or other sectors. These NPLs can be affected by changes in the economic or industrial conditions in question.
5. Non-Performing Loans (NPLs) Project: Related to loans given to fund a specific project, such as infrastructure development or real estate. Uncertainty in the implementation of the project can lead to Non-Performing Loans (NPLs).

Based on PBI No. 17/11/PBI/2015 dated June 25, 2015 which regulates the Non-Performing Loan (NPL) Ratio as part of efforts to maintain financial system stability and banking health in Indonesia. In this regulation, Bank Indonesia stipulates that banks are obliged to maintain the gross NPL ratio below 5%. NPL can be calculated by the following formula:

$$NPL = \frac{\text{Total Non-Performing Loans}}{\text{Total Credits}} \times 100\%$$

Loan to Deposit Ratio

Loan to Deposit Ratio (LDR) is a fundamental concept in banking financial management that has strategic significance in measuring the intermediation ability of a bank. According to Kasmir (2018), according to Kasmir (2018), LDR is a ratio used to measure the extent to which banks utilize funds collected from customers in the form of deposits to be redistributed in the form of credit. This ratio reflects the bank's efficiency in distributing credit, as well as indicates the bank's liquidity level. An LDR that is too high can indicate that the bank is at risk of facing liquidity problems, because too many funds are being channeled as credit, while an LDR that is too low can indicate that the bank is not maximizing the potential of the funds raised to support economic growth.

A theoretical perspective developed by Dendawijaya (2019) The Loan to Deposit Ratio (LDR) is a ratio that measures the extent to which banks distribute credit compared to funds collected from the public, such as deposits, savings, and deposits. LDR is an

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important indicator in assessing the efficiency and liquidity of banks. Dendawijaya explained that an LDR ratio that is too high can indicate that the bank provides too much credit compared to the funds it has, thereby increasing liquidity risk in the event of a massive withdrawal of funds by customers. On the contrary, an excessively low LDR indicates that banks are not maximizing their intermediation function in distributing credit, which can hinder profit growth and reduce the bank's contribution to the economy. Therefore, Dendawijaya emphasized the importance of balanced LDR management, taking into account the bank's liquidity needs and the potential profitability that can be obtained from credit disbursement.

Banking regulations, especially Bank Indonesia Regulation (PBI) Number 17/11/PBI/2015, issued on June 25, 2015, regulate the management of the Loan to Deposit Ratio (LDR), especially for the ratio limits that must be complied with by banks. In this regulation, the lower limit of LDR is set at 78%, while the upper limit is 92%. This means that banks are obliged to maintain LDR in this range to ensure healthy liquidity. If the LDR is below 78%, this shows that the bank is not optimally utilizing third-party funds (DPK) to be channeled in the form of credit. On the other hand, if the LDR exceeds 92%, the bank is considered too aggressive in distributing credit so that it is at risk of facing liquidity problems. This standard is not just a mathematical limitation, but a strategic guide for bank management in optimizing the intermediation function while maintaining prudent principles and risk management. Thus, LDR can be understood as a multidimensional instrument that does not just measure the ratio of third-party loans and funds, but reflects the complexity of banking dynamics, risk management strategies, and the capacity of banks to create economic value through effective intermediation functions.

For investors, LDR is very important as an indication used in knowing whether this bank will then be operated properly. If a bank's fund receipts do not increase, then it will show a decline, then the bank will have only a small amount of funds to credit. In addition, LDR also helps show how well banks are at retaining and attracting customers. If in a certain span of time deposits in the bank surge and increase, new clients and money will then join. So banks will have more money to lend which also increases revenue.

Based on Bank Indonesia Regulation (PBI) No. 17/11/PBI/2015 issued on June 25, 2015, it also includes regulations on the Loan to Deposit Ratio (LDR) as part of the bank's liquidity management policy. In this regulation, Bank Indonesia stipulates that banks are obliged to maintain the LDR ratio within a healthy limit, which is in the range of 78% to 92%, so the Loan to Deposit Ratio (LDR) formula is:

$$LDR = \frac{\text{Total Credits}}{\text{Total Third-Party Funds}} \times 100\%$$

Return On Assets

Return on Assets (ROA) is one of the fundamental indicators in measuring a bank's ability to generate profits from its total assets. According to Kasmir (2018), ROA is a ratio used to measure the extent to which a bank or company is able to generate net profit from its total assets. This ratio reflects the bank's efficiency in using its assets to generate profits. The higher the ROA, the more efficient the bank is in utilizing its assets to achieve profits. On the other hand, a low ROA indicates that the assets owned have not been

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optimally utilized. ROA is very important in assessing a bank's operational performance, as it provides an overview of how effective the bank's management is in managing its existing resources to generate profits.

Furthermore, Dendawijaya (2019) provides analytical depth to the concept of ROA. According to him, ROA is a ratio used to measure how efficient a bank is in generating profits from its total assets. A high ROA indicates good asset management, where the bank is able to generate optimal revenue from available resources. Conversely, a low ROA can indicate that the bank is less efficient in utilizing its assets, which can have an impact on decreasing the bank's profitability and competitiveness. Therefore, ROA is an important indicator in assessing bank performance, and a reference in decision-making by management and investors.

Return on Asset (ROA) is a comparison between after tax and total assets. The unit for measuring ROA is in the form of a percentage (%) shown by the financial statements in the banking sector on the Indonesia Stock Exchange (IDX). The greater the ability of a bank to obtain ROA, the greater the level of profit that a bank is able to obtain. In addition, the higher value of Return on Asset reflects a bank's ability to use assets (Abdurrohman et al., 2020).

Meanwhile, according to Riyanto (2020), ROA is a ratio used to measure the extent to which a company can generate net profit from its total assets. ROA is calculated by dividing net profit after tax by total assets. Riyanto explained that this ratio shows the efficiency of management in utilizing existing resources to generate profits. The higher the ROA value, the more effective the company is in using its assets to generate profits. ROA is also an important indicator in assessing a company's ability to manage assets productively, as well as providing an overview of the company's profitability. This ratio is very useful for investors and management in making investment decisions and operational strategies, as it reflects the extent to which the company can maximize the potential of its assets.

Banking accounting regulations and standards provide a normative framework for interpreting ROA. Bank Indonesia has set an ideal ROA standard of at least 1.5% as an indicator of a healthy bank, which reflects efforts to maintain financial performance and profitability. This standard is not just a mathematical limitation, but a strategic guide for bank management in optimizing the use of assets and creating economic added value. ROA is a description of the bank's productivity in managing funds so that it generates profits. The greater the ROA, the greater the level of profit achieved and the better the bank's position in terms of asset use (Widowati and Suryono, 2015).

According to Kasmir (2018), the ROA formula is designed to measure the extent to which a bank is able to generate pre-tax profit from its total assets. Profit before tax is used because it better reflects the bank's operating results without being affected by tax policies, the formula for calculating ROA is as follows:

$$ROA = \frac{\text{Profit Before Tax}}{\text{Total Assets}} \times 100\%$$

Relationship between NPL and ROA

According to Kasmir (2021), Non-Performing Loans (NPLs) have a significant relationship with Return on Assets (ROA) in assessing banks' financial performance.

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High NPLs indicate the existence of non-performing loans that can reduce the interest income received by banks, because debtors who are unable to pay their obligations do not contribute to the bank's cash flow. Kasmir explained that the high NPLs will force banks to increase credit loss reserves, which could reduce net profit. Lower net income has a direct impact on the decrease in ROA, as this ratio is calculated based on the net profit generated from total assets. In contrast, low NPLs reflect good credit quality, which allows banks to obtain more stable interest income and increase ROA. Therefore, Kasmir emphasized the importance of effective credit risk management and prevention of NPLs, in order to maintain profitability and efficiency in the use of bank assets in generating profits.

The theoretical perspective of Dendawijaya (2019) deepens the understanding of the mechanism of NPL and ROA relationship. According to him, high NPLs indicate that banks have a proportion of non-performing loans, which can reduce interest income received from loans disbursed. This has a direct impact on the bank's net profit, which is a major factor in the ROA calculation. If NPL rates increase, banks will be forced to increase credit loss reserves, which can reduce profits and, ultimately, lower ROA. In contrast, low NPLs indicate that the bank has better asset quality, which allows the bank to generate more stable income and, thus, increase ROA. Dendawijaya emphasized the importance of good credit risk management to maintain a balance between asset quality and bank profitability, as both affect each other's overall financial performance.

Meanwhile, Ismail (2018), there is a negative relationship between Non-Performing Loans (NPL) and Return on Assets (ROA) in the banking context. NPLs, which refer to non-performing loans or defaulting loans, reflect poor asset quality. When NPLs increase, banks face a higher risk of loss, so they must provide a larger reserve for credit losses. This has a direct impact on the bank's profitability because operational expenses increase, which ultimately reduces ROA as an indicator of the efficiency of asset use in generating profits. Thus, effective NPL management is the key for banks to maintain healthy and stable financial performance.

The theoretical implications of the NPL-ROA relationship confirm the importance of comprehensive credit risk management. Risk mitigation strategies, in-depth credit analysis, and continuous monitoring are key to maintaining NPLs at a safe and optimal level. Banks that successfully manage NPLs well will be able to maintain and increase ROA, which in turn reflects healthy and sustainable financial performance.

Relationship between LDR and ROA

According to Kasmir (2021), the Loan to Deposit Ratio (LDR) has a direct relationship with Return on Assets (ROA) in assessing bank performance. LDR measures the extent to which banks distribute credit collected from customer funds. Kasmir explained that a high LDR indicates that banks are channeling more credit from the funds raised, which can increase interest income and, in turn, potentially increase ROA. However, if the LDR is too high, banks could face liquidity risks, as too many funds are channeled in the form of credit, reducing the bank's ability to meet its short-term obligations. Conversely, a low LDR means that banks do not take advantage of the potential funds raised to be channeled as credit, which can limit revenue potential and lower ROA. Therefore, Kasmir emphasized the importance of maintaining a balance

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between LDR and liquidity to achieve optimal ROA, which reflects the bank's overall efficiency and profitability.

From the theoretical perspective of Dendawijaya (2019), there is a significant relationship between Loan to Deposit Ratio (LDR) and Return on Assets (ROA) in assessing bank financial performance. LDR measures the extent to which banks disburse credit from the funds raised, and this ratio reflects the bank's efficiency in using deposits to generate income from interest on loans. Dendawijaya explained that the higher LDR indicates that banks are more aggressive in distributing credit, which has the potential to increase interest income and, in turn, can increase ROA. However, if the LDR is too high, banks could face greater liquidity risks, which could affect operational stability and reduce profitability in the long run. Conversely, a low LDR indicates that banks are not maximizing the potential for credit disbursement, which can hinder revenue and lower ROA. Therefore, Dendawijaya emphasized the importance of balanced LDR management to achieve optimal profitability without sacrificing bank liquidity.

Meanwhile, according to Ismail (2018), the Loan to Deposit Ratio (LDR) has a positive relationship with Return on Assets (ROA) in banking, as long as it is at an optimal level. LDR, which shows the proportion of third-party funds disbursed as credit, reflects the bank's ability to utilize resources to generate revenue. When LDR increases, it means that banks are more active in distributing credit, which can increase interest income and profitability. However, if the LDR is too high, this can increase liquidity risk, potentially lowering the ROA. Therefore, banks need to maintain the LDR balance to remain at a level that supports efficiency and profitability without neglecting liquidity stability.

The theoretical implications of the LDR-ROA relationship put forward by experts emphasize the importance of a measurable and intelligent intermediation strategy. Banks that successfully manage LDR optimally will be able to create value creation through an effective intermediation function, which is further reflected in increasing the ability to generate profits from the total assets owned.

In a broader context, the relationship between LDR and ROA can be understood as a complex dynamic interaction, where the ability of banks to transform third-party funds into productive credit is the main key in creating profitability. This relationship goes beyond mere mathematical calculations, but reflects the complexity of business strategies, risk management, and adaptability in a highly competitive banking industry.

Hypothesis

Based on the theoretical study above, the hypothesis in this study can be formulated as follows:

H1 : Non-performing loans have a negative and significant effect on the return on assets at PT. Papua Regional Development Bank.

H2 : The loan to deposit ratio has a positive and significant effect on the return on assets at PT. Papua Regional Development Bank.

H3 : Non-performing loans and Loan to deposit ratio have a positive and significant effect on the return on assets at PT. Papua Regional Development Bank.

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METHODS

The type of research used is quantitative research with a causal associative approach, which aims to examine the cause-and-effect relationship between independent variables (NPL and LDR) and dependent variables (ROA). The source of research data will use secondary data in the form of quarterly financial statements of PT Bank Pembangunan Daerah Papua for the 2018-2023 period, which are obtained from official bank documents, official website publications, or audited financial statements.

The data collection technique uses the documentation method, by collecting time series data of quarterly financial statements. The research variables include independent variables of NPL and LDR, as well as dependent variables of ROA. The data analysis method used is multiple linear regression analysis with classical assumption test stages, which include normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test.

The study population is all quarterly financial statements of PT Bank Pembangunan Daerah Papua for the 2018-2023 period, with a sampling technique using the census method. According to Sugiyono (2017), the census method is a sampling technique when all members of the population are used as samples. This is done if the population is relatively small, less than 30 people, or if the study wants to make generalizations with very little error. That is to use all available quarterly financial report data. The study period includes 24 quarterly periods (6 years), which allows for a comprehensive analysis of the relationship dynamics between NPL, LDR, and ROA.

Statistical analysis will be carried out using SPSS software to test the research hypothesis. Hypothesis testing will include a simultaneous test (F-test) to determine the joint effect of NPL and LDR on ROA, as well as a partial test (t-test) to determine the influence of each independent variable. The determination coefficient (R-square) will be used to measure how much the independent variable is able to explain the variation in the change of the dependent variable.

Results and Discussion

Multiple Linear Regression Analysis

According to Sugiyono (2018), multiple linear regression is an analysis technique used to determine the relationship between one dependent variable (bound) and two or more independent (independent) variables. Based on the results of data processing using the SPSS version 22 program, the following table is obtained:

Table 2. Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.754	2.300		.328	.746
	NPL	-.372	.066	-.780	-5.638	.000
	LDR	.335	.524	.088	.639	.529

a. Dependent Variable: ROA

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Based on the results of data processing in table 2 above, it can be seen that the regression equation obtained is:

Y = 0,754 – 0,372 X1 + 0,335 X2

The results of the multiple linear regression analysis obtained provide a comprehensive overview of the influence of Non-Performing Loan (NPL) and Loan to Deposit Ratio (LDR) variables on Return on Assets (ROA) at PT Bank Pembangunan Daerah Papua, taking into account the contribution of each variable in influencing the bank's financial performance. The following interpretation of the regression equation is:

1. If the NPL and LDR values are zero or constant, then the ROA value at PT Bank Pembangunan Daerah Papua will increase by 0.754. This means that the constant value represents the ROA level generated by the bank without NPL and LDR.
2. NPLs have a regression coefficient of −0.372, which shows that there is a negative influence of NPL variables on ROA variables. This means that every 1 unit increase in NPL will lead to a decrease in the ROA value of 0.372, assuming that the LDR variable is constant. This negative relationship indicates that the higher the level of non-performing loans (NPL), the greater the impact in reducing the ROA performance of PT Bank Pembangunan Daerah Papua.
3. LDR has a regression coefficient of 0.335, indicating that there is a positive influence of the LDR variable on ROA. This means that every 1 unit increase in LDR will increase the ROA value by 0.335, assuming that the NPL variable is constant. This positive relationship indicates that the higher the proportion of funds disbursed as loans to the total third-party funds collected, the greater its contribution to increasing bank profitability (ROA) at PT Bank Pembangunan Daerah Papua.

Partial Test (t-Test)

Partial test to determine the influence of each independent variable on the dependent variable, this test uses a t-test where if the t-count is greater than the t-table or the significance of the t-count is less than alpha 0.05 or 5%, then the decision taken is a hypothesis accepted. Based on the results of the calculation in table 2 above, the partial test for each independent variable is as follows:

1. It is known that the partial test for the NPL variable obtained a t-count value of -5.638 smaller than the t-table of 1.721 and a significance value of 0.000 smaller than the alpha of 0.05. It can be concluded that the NPL variable has a negative and significant effect on the ROA of PT Bank Pembangunan Daerah Papua, so the decision is a hypothesis accepted.
2. It is known that the partial test for the LDR variable obtained a t-count value of 0.639 smaller than the t-table of 1.721 and a significance value of 0.529 greater than the alpha of 0.05. It can be concluded that the LDR variable has a positive and insignificant effect on the ROA of PT Bank Pembangunan Daerah Papua, so the decision is a hypothesis rejected.

Simultaneous Test (F-Test)

The F-test is used to test simultaneously (together) whether all independent variables in the multiple regression model have a significant influence on the dependent variables. The F test tests whether the regression model built as a whole is able to explain

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variations in dependent variables or not (Ghozali, 2018). In this study, the results of the F test were obtained as follows:

Table 3. ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.080	2	1.540	22.153	.000[b]
	Residual	1.460	21	.070		
	Total	4.539	23			

a. Dependent Variable: ROA

b. Predictors: (Constant), LDR, NPL

From table 3 above, the value of F-count is 22.153 and F-table is 3.467. This shows that the F-count is greater than the F-table (10.106 > 5.143), while the significance value of 0.000 is smaller than the alpha of 0.05. This shows that the NPL and LDR variables simultaneously have a positive and significant effect on the ROA of PT Bank Pembangunan Daerah Papua, so the decision is a hypothesis accepted.

Coefficient of Determination

According to Ghozali (2018), the determination coefficient (R^2) is a measure used to show how well a regression model can explain variations in dependent variables based on variations in independent variables. The results of the calculation of the determination coefficient can be seen in the following table:

Table 4. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.824[a]	.678	.648	.26365

a. Predictors: (Constant), LDR, NPL

Based on the results of the calculation, the determination coefficient (R^2) that can be explained by this equation is 0.678 or 67.8%, so it can be interpreted that 67.8% of ROA is influenced by NPL and LDR independent variables while the remaining 32.2% is influenced by other factors that are not included in this study.

Effect of NPLs on ROA

The results of the study show that NPLs have a negative and significant effect on the ROA of PT Bank Pembangunan Daerah Papua, which shows that the higher the level of non-performing loans in a bank, the lower the level of profitability produced. Non-performing loans or NPLs describe how large the portion of credit that cannot be repaid by the debtor in accordance with the agreement. When NPLs increase, banks must reserve more funds to cover potential losses arising from such bad loans, which in turn reduces the profits that can be earned from the assets owned. In contrast, ROA reflects the bank's ability to generate profits from its assets, and the higher the NPL, the greater the risk of losses that can erode the bank's profit. These results also show that poor credit risk management, which leads to an increase in NPLs, can harm the bank's financial performance, reduce operational efficiency, and interfere with the potential profits generated from the assets owned. Therefore, effective NPL management is essential for

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banks to maintain healthy financial performance and optimize ROA. The results of this study support a previous study conducted by Sari and Abundanti (2016) which found that NPL have a significant negative effect on ROA.

Effect of LDR on ROA

The Loan to Deposit Ratio (LDR) has a positive but insignificant effect on Return on Assets (ROA), which means that while there is a tendency that an increase in LDR may increase ROA, the effect is not strong enough to be considered statistically significant. LDR is a ratio that describes the extent to which banks use funds collected from customers (deposits) to provide loans to other customers. In theory, an increase in LDR indicates that banks are lending more, which can increase interest income and potentially increase profitability, which is reflected in ROA. However, this positive influence does not always have a significant immediate impact on ROA. This can happen due to several factors, such as the risk of increased liquidity when the LDR is too high, or poor loan quality that can reduce net income. Therefore, although the relationship between LDR and ROA is positive, the impact can vary depending on economic conditions, risk management, and the bank's operational policies. If LDRs are not carefully managed, banks may face challenges that reduce their ability to optimize returns on their assets. The results of this study support the previous research conducted by Putra and Rahyuda (2021) which found that LDR has a positive and insignificant effect on ROA.

CONCLUSION

Based on the results of the research and discussion above, it can be concluded that:

1. NPL partially had a negative and significant effect on the ROA of PT Bank Pembangunan Daerah Papua, which showed that an increase in non-performing loans would reduce the bank's profitability level.
2. LDR partially has a positive but insignificant effect on ROA, which means that while there is a tendency that an increase in the loan-to-deposit ratio may improve profitability, the effect is not strong enough to have a significant impact on a bank's financial performance.
3. Simultaneously, the NPL and LDR variables had a positive and significant effect on the ROA of PT Bank Pembangunan Daerah Papua, indicating that both had a significant contribution in influencing the bank's profitability when analyzed together.

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