ANALYSIS THE EFFECT OF LOAN TO DEPOSIT RATIO, NON PERFORMING LOAN AND RETURN ON ASSETS TO THE CAPITAL ADEQUACY RATIO
(A CASE STUDY OF BPD KALTIM FOR PERIOD 2005-2012)

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The Panel of Examiners declare that the skripsi entitled “ANALYSIS THE EFFECT OF LOAN TO DEPOSIT RATIO, NON PERFORMING LOAN AND RETURN ON ASSETS TO THE CAPITAL ADEQUACY RATIO(A CASE STUDY OF BPD KALTIM FOR PERIOD 2005-2012)” that was submitted by Rizka Meilitha majoring in Management from the Faculty of Business was assessed and approved to have passed the Oral Examinations on January 19, 2014.

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This skripsi entitled with “ANALYSIS THE EFFECT OF LOAN TO DEPOSIT RATIO, NON PERFORMING LOAN AND RETURN ON ASSETS TO THE CAPITAL ADEQUACY RATIO(A CASE STUDY OF BPD KALTIM FOR PERIOD 2005-2012)” prepared and submitted by Rizka Meilitha in partial fulfillment of the requirements for the degree of Bachelor of Economics in Faculty of Business has been reviewed and found to have satisfied the requirement of a skripsi fit to be examined. I therefore recommend this skripsi for Oral Defense.

Cikarang, Indonesia, January 27, 2014

Acknowledged by,  Recommended by,

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DECLARATION OF ORIGINALITY

I declare that this skripsi, entitled “ANALYSIS THE EFFECT OF LOAN TO DEPOSIT RATIO, NON PERFORMING LOAN AND RETURN ON ASSETS TO THE CAPITAL ADEQUACY RATIO (A CASE STUDY OF BPD KALTIM FOR PERIOD 2005-2012)” is the best of my knowledge and belief, an original piece of work that has not been submitted, either in whole or in part, to another university to obtain a degree.

Cikarang, Indonesia, January 27, 2014

Rizka Meilitha
ABSTRACT

This research aims to test the effect of independent variables, Loan to Deposit Ratio (LDR), Non Performing Loan (NPL), and Return On Assets (ROA) toward dependent variable, Capital Adequacy Ratio (CAR) of a bank. The samples collection method that taken for this research is purposive sampling. Data was used in this research based on publicity the annual and quarterly report of Regional Development Bank of Kaltim since 2005 to 2012, and resulting the amount of 32 samples. During research period show as data research was normally distributed. Based on the classical assumption tests, such as normality test, autocorrelation test, multicollinearity test, and heterocedasticity test, there was not deviant variables, it shows that the data which provided has been qualified for use multiple regression model. Result of the research shows as LDR and ROA partially have significant effect toward CAR at the level of significance less than 5% (0.000 and 0.021, respectively). While NPL shows that it does not effect significantly to CAR with the significance level at 0.214. And simultaneously LDR, NPL and ROA have significant effect toward CAR. The coefficient of determinant from these three variables toward CAR is 57.4%, where the rest 42.6% is affected by other factors which were not explained in this research model. Suggested to do further research by using other financial ratios as independent variables which has effect toward CAR.

Keywords: Loan to Deposit Ratio (LDR), Non Performing Loan (NPL), Return On Assets (ROA), and Capital Adequacy Ratio (CAR)
ACKNOWLEDGEMENT

At the very first of this skripsi, I would like to thank God, Allah SWT for blessing me from the start and until I could finish my skripsi. I also would like to acknowledge many people who have supported me in accomplishing this skripsi.

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I realized that my skripsi is far from perfect, there is still so much lack in this research. Improvement is still needed for the next researcher. Glad to accept any comments or suggestions that can enhance this research. However, I hope this thesis can be useful for the readers.

Cikarang, February 2014

Rizka Meilitha
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LIST OF ACRONYMS

CAR = Capital Adequacy Ratio
LDR = Loan to Deposits Ratio
NPL = Non Performing Loan
ROA = Return On Assets
RWA = Risk Weighted Assets
CHAPTER I
INTRODUCTION

1.1 Research Background

Bank is an institution that has a strategic position which is the central point of public funds accumulated before it is piped back to the components of the economy. Therefore, need for prudence in keeping the role of the banking system in order not to harm the economy of a country. To be able to perform its functions properly, healthy banks are really needed so that it can operate optimally. Bank capital is the basic thing that can determine the health of a bank, and based on that people can build the trust to hand over their funds in banks. One tool to measure the fulfillment of capital liability can be calculated by using the ratio CAR (Capital Adequacy Ratio) which Bank Indonesia set a CAR of 8% (Bank Indonesia, 2013).

Capital in the bank is important; therefore in 1988 the Bank for International Settlements (BIS) issued a draft capital framework known as The 1988 Accord (Basel I). The system is made as the application of the measurement framework for credit risk; the standard requires the minimum capital is 8%. In line with the development of products that exist in the world of banking, the BIS again enhance the existing capital framework on the 1988 Accord with the concept of issuing new capital is The New Basel Capital Accord / Agreement, better known as Basel II. Basel II in Indonesia is part of the Indonesian Banking Architecture stages which are run for the period 2004-2013. As well as the Bank Indonesia Regulation Number 10/15/PBI/2008 has been reaffirmed what that must be met in the public banks to implement risk management especially regarding bank capital requirements (Kewajiban Penyediaan Modal Minimum Bank Umum). In looking at the banking system condition if there is a decrease or increase in performance can be seen on the bank's financial statements.
From ownership aspect (UU No. 10, 1998 chapter IV article 16), Regional Development Bank (BPD) is bank that owned and managed by local government where that bank is located. BPD also has role in driving regional economy due to BPD as the regional account holder in its activities has function to finance the small business and microcredit.

Table 1.1 - Percentage of CAR of BPD Kaltim

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAR</td>
<td>27.72 %</td>
<td>29.88 %</td>
<td>27.14 %</td>
<td>25.13 %</td>
<td>22.03 %</td>
<td>18.60 %</td>
<td>18.51 %</td>
<td>22.81 %</td>
</tr>
</tbody>
</table>

Source: www.bankaltim.co.id

From the table above, it can be seen that average of CAR of BPD Kaltim period 2005-2012 still above 8%, it accordance with the regulation of Bank Indonesia, it means the capital condition of BPD Kaltim nowadays is in a good condition, however the capital condition still had fluctuations.

With a good analysis of the financial statements, then the bank can further optimize the preparation of the strategic plan in the future to minimize the financial risks that arise. For that, as one tool to measure the fulfillment of capital can be calculated by using the ratio of CAR (Capital Adequacy Ratio). The reason for choosing the variable CAR as the dependent variable because the CAR is one of the most important indicators according to Bank Indonesia in maintaining the health of banks (Samsul; Romi, 2001).

The figure below shows the fluctuations of financial ratios, they are Loan to Deposits Ratio (LDR), Non Performing Loan (NPL), and Return On Assets (ROA). There is a sharp increase of LDR between 2008 and 2009 in the amount of 35.43%.
Factors that affect the level of CAR ratio is the financial ratio such as the liquidity ratio, asset quality ratio, and profitability ratio. Liquidityratiois one of the important factorstolook ata bank'sabilityto repayits obligations. Liquidityis veryclosely related to thepublic trust, so that each bank is required to maintain the level of liquidity. Liquidity as reflectedin the Loan to Deposit Ratiois to maintain a healthyliquidity position of the banks, especially in the short-term positions. Asset quality ratio is the aspect that used to determine the allocation of funds received from the public and then distributed to be productive assets. Level of asset quality can be measured using financial ratios are Non Performing Loan. Profitability ratios are reflected in the Return on Assets indicates the level of the bank's ability to earn a profit from their business activities.
Based on the description above, the authors are interested in doing research with title “Analysis The Effect Of Loan To Deposit Ratio, Non Performing Loan And Return On Assets To The Capital Adequacy Ratio(A Case Study Of Bpd Kaltim For Period 2005-2012)”.

1.2 Statement of Problem

In this study, CAR as the dependent variable has an important role in determining the health of banks. This ratio tends to be influenced by other factors, based on the background described above and the various factors that influence the CAR, among others, in the liquidity ratio detailed in LDR, asset quality ratios detailed in the NPL and profitability ratios detailed in the ROA. From the graph that can be seen, how is the effect of each independent variable on the CAR. Percentage of CAR, LDR, NPL and ROA has fluctuated from year to year, such as the significant changes of LDR in 2008 to 2009.

Regarding on this research, there are several problems that will be explored more, such as:

a. How is the effect of Loan to Deposit Ratio toward Capital Adequacy Ratio of BPD Kaltim?
b. How is the effect of Non Performing Loan toward Capital Adequacy Ratio of BPD Kaltim?
c. How is the effect of Return on Assets toward Capital Adequacy Ratio of BPD Kaltim?
d. How is the effect of Loan to Deposit Ratio, Non Performing Loan and Return On Assets toward Capital Adequacy Ratio of BPD Kaltim?

1.3 Research Objectives

The objectives of this research are:
a. To analyze the effect of Loan to Deposit Ratio toward Capital Adequacy Ratio of BPD Kaltim.
b. To analyze the effect of Non Performing Loan toward Capital Adequacy Ratio of BPD Kaltim.
c. To analyze the effect of Return on Assets toward Capital Adequacy Ratio of BPD Kaltim.
d. To analyze the effect of Loan to Deposit Ratio, Non Performing Loan and Return On Assets toward Capital Adequacy Ratio of BPD Kaltim.

1.4 Research Limitation

The scope and limitation of this research are as follows:

1. This research will only be conducted on BPD Kaltim.
2. This research will be conducted for period 2005-2012.
3. The data for this research will be about the bank’s financial ratios, which are LDR, NPL, ROA, and CAR of BPD Kaltim.

1.5 Definition of terms

**Loan to Deposit Ratio (LDR)** is a ratio that is used in determining the amount of loans that a bank has out versus the amount of current deposits on hand at that same time. This ratio is determined by dividing the bank's loan amounts by its total amount of deposits.

**Non Performing Loan (NPL)** is a loan on which the borrower is not making interest payments or repaying any principal. This loan is in default or close to being in default.

**Return on Assets (ROA)** is a financial ratio that shows the percentage of profit that a company earns in relation to its overall resources (total assets). Return on assets is a key profitability ratio which measures the amount of profit made by a company from its assets.
Capital adequacy ratio (CAR) is bank performance ratio to measure the adequacy of capital that owned by the bank to support the assets that contain risk or generate the risk. It is the measurement of a bank’s capital position and expressed as a ratio of its capital to its assets.

1.6 Research Benefit

1. For Bank

Based on this research, this can be expected as an evaluation for bank side/ the management of bank in decision making or an effective strategic application in order to overcome the problem that relate to the level of bank’s health for strengthen the capital condition (Capital Adequacy Ratio) by observing the existing financial ratio of bank.

2. For the researcher

a. To identify the importance of Loan to Deposits Ratio, Non Performing Loan, and Return on Assets in affecting Capital Adequacy Ratio of BPD Kaltim.

b. To identify the effect of Loan to Deposits Ratio, Non Performing Loan, and Return on Assets in affecting Capital Adequacy Ratio of BPD Kaltim.

c. To obtain better understanding about Loan to Deposits Ratio, Non Performing Loan, Return on Assets and Capital Adequacy Ratio.

3. For President University

a. To fulfill the requirement of Undergraduate Program (Bachelor) in President University.

b. The study can also be a reference and comparative materials for similar studies.
CHAPTER II
LITERATURE REVIEW

2.1 Bank Theoretical Review

Bank which is known as the financial institution which main activities are receives demand deposits, savings and time deposits. Then bank also known as a place to borrow money (credit) for the society who needs it. besides that, bank is also known as a place to exchange money, transfer some money, or accept all forms of payment and deposit such as payment of electricity, water, taxes, tuition, and other payments.

Based on Undang-undang RI No. 10 November 1998 about banking, the definition of bank is "a business entity which collects funds from the public in the form of deposits, and distributes it to the public in the form of credit and also other forms in order to improve the living standard of the people (Kasmir, 2012).”

From the definition above can be described more broadly that the bank is a company which engaged in the financial sector, meaning that bank’s activities are always associated with financial terms, so it will not separated from financial problems.

In general, the bank’s main function is to collect funds from the public and distribute it back to the community for various purposes or as a financial intermediary. More specifically banks can be function as an agent of a trust, an agent of development, and agents of services. Agent of trust means the main base of banking activity is trust, whether in terms of fund raising or fund distributing. People are willing to put their money in the bank if based on the element of trust. People believe that their money will not be misused by the bank, the money will managed well, bank will not bankrupt, and also believe that in the certain time, people can withdraw their savings from bank. As well as the bank, bank believe that the debtor will not misuse the loan, the debtor will managed the loan wisely,
the debtor has ability to pay at the maturity time, and also bank believe that the debtor has goodwill to repay the loan ad other liabilities at maturity. *Agent of development* means in the economic activities of society cannot be separated from economic sectors, which are real sector and non-real sector. Both of those factors interact one each other, real sector cannot work well if the non-real does not work well. Here, the function of bank as fund raising and fund distributing is really needed for the continuity of economic activities in real sector. That kind of bank activity enable the people or society do investment, distribution, and also goods and services consumption, recall that all activities such as investment, distribution, consumption are always relate to the using of money. The fluency of those activities is kind of economic development activities of society. And *agent of services* is bank also offer other bank’s services to the society or people. Kind of services that offered by the bank has strong relationship with the economic activities of society in general, such as remittance services, safekeeping services of valuable things, bank guarantee services, and services of bills settlement.

### 2.1.1 Bank Capitalization

Capital is an important element in the financial sector and financial services. The basic of capital will determine the scope of bank activities. Strategically, role of capital will be the consideration for the central bank in the plan of requirement permits(multiple licenses) for foreign bank to operate in Indonesia (Wiyanti, 2012).

Capital is a very important factor for the development and progress of the bank as well as to maintain public confidence. The function of capital, such as: first, as the buffer to absorb operating losses and other losses. Second, as the basis for determination of legal lending limit. Third, capital is also the basis for calculation of market participants to evaluate the level of bank ability relatively to generate profits (Evelina, 2012).

The function of bank capital by BankirNeza.com, namely:
a. Operating function, the capital should finance the fixed assets and inventory, which is permanent since capital is a source of long terms funds.

b. Regulatory function, bank’s capital must comply with the provisions that issued by the monetary authority which aims to limit the risks that may arise from the activities of the bank.

c. Protective function, which the capital has function to protect or as bumper to absorb the losses of depositors (Anwari, 2010).

Definition of Capital Bank Based BI (Bank Indonesia) requirements, the understanding of bank’s capital divided between:

Bank which was founded and headquartered in Indonesia and Branch Offices of Foreign Banks operating in Indonesia. In this chapter is only outlined the bank’s capital was founded and headquartered in Indonesia. Capital of the bank was founded and is headquartered in Indonesia consists of core capital and supplementary capital (Dendawijaya, 2009).

1. Core Capital

According to Bank Indonesia regulations, concerning the Minimum Capital Requirement (Kewajiban Penyediaan Modal Minimum) for Commercial Banks, in the principle component of core capital consists of paid up capital and reserves are formed of profit after tax, with the following details:

1. Paid-in capital

   Paid-in capital is capital that has been paid by the owner effectively.

2. Share premium

   Share premium is the excess of capital contributions received by the banks as a result of stock price exceeds the face value.

3. General reserves
General reserve is a reserve created from the allowance of retained earnings or net after taxes deducted and approved by the general meeting of shareholders or members meeting in accordance with the basis budget respectively.

4. Purposed reserves
Purposed reserve is part of the profits after tax which set aside for a specific purpose and has been approved by the general meeting of shareholders or a meeting of members of stock.

5. Retained earnings
Retained Earnings is the balance of net profit after tax which determined by general meeting of shareholders or meeting of members and that was decided not to be shared.

6. Profit last year
Profit last year was a net profit of previous years after deducting taxes and not allocated by the general meeting of shareholders or meeting of members. The amount of profit last year counted as the core capital only amounted fifty percent. If the bank has accumulated losses in the past years, the entire loss is deduction from core capital.

7. Current net income
Current net income is the profit earned in the current accounting year after deducting estimated tax debt. Amount of current net income is calculated as core capital only fifty percent. If the bank suffered loss in the current year, the entire loss is deduction from core capital.

8. Part of net assets of subsidiaries whose financial statement are consolidated
Part of the net assets of the subsidiary is the core capital after compensated the value of bank participation in the subsidiaries. What are meant by the subsidiary are the bank and other non-bank financial institution (LKBB) that majority the shares are owned by the bank.

2. Supplementary capital

These supplementary capitals consist of the reserves which not formed from the profit after taxes and loan that can be equated to the capital. In detailed, supplementary capital can be as follows:

1. Fixed Assets Revaluation Reserves
   Fixed assets revaluation reserve is reserve created from revaluation of fixed assets and get approval from the Directorate General of Taxation.

2. The Removal Assets Reserves which had classified
   The Removal Assets Reserves which had classified is the reserve established by way of imposition of current net income. This is intended to accommodate the losses that may arise as a result of not receiving back some or all of the earning assets.

3. Quasi Capital
   Quasi capital is capital that is supported by the instrument which has characteristics as a capital. In this understanding of quasi capital, including capital reserves that comes from the effective capital injection by the owners of the bank that has not been supported by sufficient capital base (which has been approved by the competent authority).

4. Subordinated Loans
   Subordinated loan is the loan that has the following requirements:
   1. There is a written agreement between the banks and lender.
   2. To get the prior approval of Bank Indonesia
   3. A minimum term of period 5 years.
4. Settlement before the due date should get approval from Bank Indonesia and by that settlement, the bank capital must stay healthy. The maximum subordinated loan that can be the supplementary capital is equal to 50% of core capital.

2.1.2 Bank’s Financial Ratio

One of the tools for knowing the financial condition of a company can be seen from the financial reports. Financial report provides a financial highlight about financial position from company’s performances in gaining profit. Analysis of financial report is a considerately process in order to help in evaluate the financial position and the result of company’s activities in the past and current situation, with aims to determine the elimination and the most possible prediction for the future condition and performances of a company. Actually there are many types of analysis toward financial report, but in this research the researcher used financial ratio analysis because this kind of analysis is commonly used and simpler. The purpose is to give a highlight of financial weakness and ability of a company in years. This analysis is really beneficial in appraising management achievements in the past years and the future chances (Sugiyanto, 2002).

The financial reports as well as to describe the performance of the bank during the period. In order to determine the condition of the banks, any report that are presented must be made in accordance with established standards. In order to make the reports useful and easy to understand, this is necessary to analyze the financial performance of the bank in advance, the analysis is carried out by using financial ratios of banks.

Financial ratio is the result of calculation between two types of bank’s financial data which used for explaining the relationship of both financial data where basically stated in numerical. This result of calculated ratio can be used to measure the bank’s financial performance in a certain period, and can be used as a benchmark to assess the health of banks during the financial period (Riyadi, 2004).
2.1.2.1 Leverage ratio (Capital)

Leverage ratios are ratios to measure a company's ability to fulfill all of its obligations if the company is liquidated. This ratio indicates the capacity and ability of the company to fulfill its long-term obligations. Leverage ratio can be seen from the Capital Adequacy Ratio (Fitri Any, Yana Ulfah, 2012).

**Capital Adequacy Ratio (CAR)**

CAR is a ratio that shows how much all which risky bank assets (loans, investments, securities, claims on other banks) participated financed from the bank's own capital fund in addition to obtaining funds from sources outside the bank, such as public funds, borrowing (debt), and others. In other words, capital adequacy ratio is the ratio of bank performance to measure the adequacy of a bank's capital to support assets that contain or produce risk, such as loans. CAR is an indicator of the ability of the bank to cover the decline in its assets as a result of losses caused by bank risky assets (Dendawijaya, 2009). The higher value of CAR, the better the ability of the bank to bear the risk of any loans or risky assets.

CAR measured by the ratio between the bank's capital to risk weighted assets (ATMR). According to PBI 10/15/PBI/2008 Article 2, banks are required to provide a minimum capital of 8% (eight percent) of the Risk Weighted Assets. A bank is at risk if it cannot provide a minimum capital of 8%. The amount of bank CAR can be calculated by the following formula (ICABTUTORIAL.com, 2012):

\[
\text{Capital Adequacy Ratio} = \frac{\text{Tier 1 Capital} + \text{Tier 2 Capital}}{\text{Risk Weighted Assets}} \times 100
\]

Tier 1 = Core capital
Tier 2 = Supplementary capital
Risk Weighted Assets is the addition of the Risk Weighted Assets from balance sheet assets and the Risk Weighted Assets from administrative assets. The RWA from balance sheet can be obtained by multiplying the nominal value of the asset with the
risk weight. Besides, the administrative RWA can be obtained by multiplying the nominal value with risk weight of administrative assets.

2.1.2.2 Liquidity Ratio

Liquidity position of the company shows the company's ability to fulfill its short-term obligations such as paying off debts maturing in the short term. Banks said to be liquid if the bank is able to pay all its debts, especially short-term debts (savings, checking, and time deposits) and able to pay and can fulfill all loan requests. The more illiquid will cause the collapse of public trust that could lead to the withdrawal of funds and decrease the performance.

Bank can be said to be liquid if:

1. The bank has cash assets that used to fulfill needs of liquidity.
2. The bank has less cash assets from liquidity needs, but has assets or other assets (e.g., securities) that could be withdrawn at any time without decreasing its market value.
3. The bank has ability to create new cash assets through various forms of debt (Hasibuan, 2007).

As liquidity ratios used in the company in general also apply to banks. However, the difference in the liquidity of the banking system is not measured from acid test ratio and current ratio, but there are special measures that applicable to determine the liquidity of the bank in accordance with Bank Indonesia regulations. Liquidity ratios are commonly used in the world banking especially is measured from the Loan to Deposit Ratio (LDR). LDR is very important because of the function as intermediary to collect funds from the public and distribute it in the form of credit.

**Loan to Deposit Ratio (LDR)**
A ratio that is used in determining the amount of loans that bank has out versus the amount of current deposits on hand at the same time. This ratio is determined by dividing the bank’s loan amounts by its total amount of deposits.

LDR also called the ratio of credit to total third party funds were used to measure the third-party funds are channeled in the form of credit. Channeling the loan credit is the main activity of bank, therefore the bank’s main source of revenue comes from these activities. The more the amount of funds in the form of credit compared to a deposit a bank can carry on the consequences to get higher risk that have to be borne by that bank. According to Kasmir, LDR is a ratio to measure the composition of total loans compared to the amount of public funds and equity capital used (Kasmir, Manajemen Perbankan, 2007).

The higher the LDR, the higher the funds distributed to third parties. The higher this ratio, the lower ability of bank liquidity. This is because the amount of funds required to finance loans became bigger (a bank lends all their funds (loan-ups). Conversely, the lower the LDR shows a lack of bank effectiveness in lending. If the total loans is greater than the amount of public fund, so this will indicate that the liquidity ability of the bank is lower. This is because the amount of funds required to finance loans became bigger. And vice versa, if the loan amount given is smaller than the amount of funds raised there will be an accumulation of funds which are not productive in the bank which is essentially the most liquid assets in the form of cash, raising funds from the community in which there is an element of interest costs. Therefore, the amount of LDR according to government regulations has the limits safe about 80%, but the LDR tolerance limits ranged from 85% - 100% (Bank Indonesia, 2013).

LDR can be formulated as follows (financeformulas.net):

\[
\text{Loan to Deposit Ratio} = \frac{\text{Loans}}{\text{Deposits}}
\]

2.1.2.3 Asset Quality Ratio
Asset quality is often also called Earning Asset or asset that produces. Earning asset quality is the benchmarks to assess the possibility of receipt of returned funds that invested in productive assets (principal including interest) based on specific criteria; in Indonesia, asset quality assessed based on the level of the involve (bill), which is current loan, in special attention substandard loans, doubtful loans, or bad loans. Calculation of the Asset Quality Ratios that can be used as follows:

**Non Performing Loan (NPL)**

Non Performing Loan(NPL) can be defined as the loan that hard to be settled due to intentional factors and or due to the external factors beyond the control of the debtor (Siamat, 2001).

This ratio indicates the ability of bank management in managing nonperforming loans given by the bank. That is, the higher this ratio, the worse the credit quality of the bank which can lead to the greater number of bad loans. If credit is associated with a level of collectability, so which classified as non-performing loans are special mention loan, substandard loan, doubtful loan, and loss-loan. The higher the ratio, the greater the amount of bad loans and resulting the decline of bank revenue. The value of a bank's NPL can be calculated by the formula:

\[ NPL = \frac{\text{nonperforming loan}}{\text{loans}} \times 100\% \]

**2.1.2.4 Profitability Ratio**

This ratio is used to measure the level of business efficiency and profitability achieved by the banks. Profits were made from activities of the bank are a reflection of the performance of a company in running the business. In other words, the profitability ratio besides aimed to determine the ability of banks to generate profits for a certain period, also aims to measure the effectiveness of management in carrying out the operations.
Profitability of the bank is a bank's ability to earn profits that is expressed as a percentage. Profitability is basically profit (Rp) is expressed in % profit. Bank Indonesia assesses the profitability of banking conditions in Indonesia is based on one of indicator, which is Return On Assets (ROA) (Hasibuan, 2007).

**Return On Assets (ROA)**

In determination of the health of bank, Bank Indonesia is more concerned about the amount of ROA, because Bank Indonesia as the bankingsupervisors prefers the value of the profitability of a bank as measured by assets with funds mainly from public funds deposits. This ratio illustrates the company's ability to generate profits from every single rupee that used in assets. With this ratio, the researcher can assess whether the company is efficient in utilizing the bank’s assets in bank’s operations. A bank can be categorized in a health condition if that bank has ROA ratio minimal 1.5%. ROA is used to measure the bank’s effectiveness in gaining the profit by maximizing the assets that the bank’s owned. In other words, this ratio is used to measure the ability of bank management in gaining profit as a whole. The larger the ROA of a bank, the greater the level of profit that the bank achieved and the better the position of the bank in terms of asset utilization.

ROA can be formulated as follows (financeformulas.net, Return on Assets).

\[
ROA = \frac{Net\,Income}{Average\,Total\,Assets}
\]

2.1.3 The effect of bank’s financial ratio to car

The effect of independent variables toward dependent variable in this research is the effect of LDR, NPL and ROA toward CAR.

2.1.3.1 The effect of LDR toward CAR
If the growth in the number of loans is greater than the growth in total deposits of the bank, then the LDR value will be higher. The higherratioindicatesthe low ability of the bankliquidity (Dendawijaya, 2009). This is because the amount of funds required to finance the loan will be greater.

In other words, an increase in the value of LDR caused by growth in the number of loans is higher than the amount of funds raised, this will lead to the declining value of a bank's CAR. The declining of CAR value is the bank's efforts in providing the trust and protection to the customers by increasing their funds through own capital to finance the amount of credit provided. Thus the relationship of the LDR toward CAR is negative.

2.1.3.2 The effect of NPL toward CAR

NPL increase caused by an increase in non-performing loans to total loans held by the bank. This resulted in the bank's interest income would decline and also bank profitability will decline, so the bank's capital will also decrease and CAR become lower. Thus the relationship of the NPL toward CAR is negative.

2.1.3.3 The effect of ROA toward CAR

The profitability ratio analysis using ROA due to Bank Indonesia as bank supervisors prefer the value of a bank's profitability as measured by assets, where the funds mostly from the public deposits (Dendawijaya, 2009). ROA is used to measure the effectiveness of the company generating profits by exploiting assets/assets owned. The larger the ROA of a bank, the greater the level of profitability the bank achieved and the better the position of the bank in terms of asset utilization. So CAR is an indicator of bank health increasing. Every time the bank suffered a loss, the bank's capital has less value and vice versa if the bank earned a profit then the capital will increase. Thus the relationship of the ROA toward CAR is positive (Ali, 2006).

2.2 Previous research
Various studies have been conducted to look at the factors that affect the value of a bank's CAR. Here are some researches that related to the researcher’s study:

Angbazo (1997) examine the factors that influence the CAR for banks in the United States with the period 1989-1993, in which the factors used is the Interest Risk Ratio (IRR), LDR, NPL, and ROA. The analytical tool used is multiple regressions. Research results indicate that LDR and ROA show a positive effect on CAR, while the IRR and NPL did not show any significant effect on CAR.

The research that done by Sam (2012) in all Regional development Bank in Indonesia has purpose to analyze the effect of variable like LDR, NPL, and ROA toward CAR. This research took the period 2007 until 2011. The result of this research shows that those variables are partially influence significantly toward CAR.

According to Ardino (2008) the influence of LDR, IPR, LAR, APB, NPL, BOPO, AU, ROA, ROE, and NIM toward Car of Commercial Banks, said that ROA and ROE are an indicator of the profitability ratios used as independent variables that affect the CAR because companies that the investment return is higher would be using a small debt so that the level of capital costs that involve risks are relatively small and the bank's capital is relatively high so can increase the CAR.

According to Ros research (2011) LDR, IPR, NPL, IRR, AUR, and BOPO have significantly influence to CAR of BPD in Indonesia. LDR partially has negative influence to CAR of BPD in 2007 until 2009. The NPL increase caused by an increase in non-performing loans to total loans held by the bank. This resulted in the Bank's interest income would decline and bank profitability also will decline, so the effect is the Bank's capital will decrease and the CAR become lower (Ros, 2011).

Indrawati (2012) did the research to see the factors that influence to Capital Adequacy Ratio in all government banks in Indonesia. The result shows that LDR, IPR, APB, NPL, BOPO, AUR, ROA, NIM, and IRR, simultaneously

Shitawati (2006) conducted a study to look at the factors that influence the Capital Adequacy Ratio of Commercial Banks in Indonesia. Shitawati using several ratios become independent variable is Return on Assets, Return on Equity, Operating Expenses to Operating Revenue, Net Interest Margin and Loan to Deposit Ratio. Results of the study showed that Shitawati all these variables have an influence on the Capital Adequacy Ratio either partially or simultaneously.

Krisna (2008) analyze the factors that affect Capital Adequacy Ratio to the conventional banks in Indonesia by using financial ratio such as Return on Investment, Return on Equity, Net Interest Margin, Loan to Deposit Ratio, and Non Performing Loan. The result of this research shows that Return on Investment, Loan to Deposit Ratio and Non Performing Loan influence Capital Adequacy Ratio partially, meanwhile Return on Equity and Net Interest Margin not influence Capital Adequacy Ratio significantly. The result of this research show that financial ratios of bank influence significantly toward CAR in the conventional banks in Indonesia for period 2003–2006.

2.3 Theoretical Framework

Source: Indrawati (2012), Sam (2012)

The research that done by Sam has purpose to analyze the effect of variable like LDR, NPL, and ROA toward CAR of all Regional development Bank in
Indonesia periode 2007 until 2011. The result of this research shows that those variables are partially influence significantly toward CAR.

And also Indrawati(2012) did the research to see the factors that influence to Capital Adequacy Ratio in all government banks in Indonesia. The result shows that LDR, IPR, APB, NPL, BOPO, AUR, ROA, NIM, and IRR, simultaneously have influence to Capital Adequacy Ratio (CAR) in government bank for period 2005 – 2007.

The three independent variables above based on regulation of Bank Indonesia can also be the indicator of the healthy bank assessor, although other indicators are also quite a lot that arranged by Bank Indonesia, but due to the limitation, so the researcher limits the independent variables to LDR, NPL, and ROA. Meanwhile, determination of dependent variable itself, based on the criteria of ratios in Bank Indonesia regulation, where bank’s financial ratio that has effect toward the independent variables (LDR, NPL, and ROA) is CAR.

### 2.4 Hypothesis

These are some hypothesis that the writer will elaborated for this research:

1. LDR has negative effect toward CAR of BPD Kaltim.
   This means that LDR is inversely proportional to CAR. If LDR is increase so CAR will decrease.

2. NPL has negative effect toward CAR of BPD Kaltim.
   This means that NPL is inversely proportional to CAR. If NPL is increase so CAR will decrease.

3. ROA has positive effect toward CAR of BPD Kaltim.
   This means that ROA is directly proportional to CAR. If ROA is increase so CAR will increase as well.

4. LDR, NPL, and ROA have significant effect toward CAR of BPD Kaltim.
   This means that LDR, NPL, and ROA are simultaneously have effect to CAR.
METHODOLOGY

3.1 Research Method

In this study, the research wants to measure the effect of those independent variables. There are two methods for analyzing the research; they are quantitative research and qualitative research. In creating this research, the researcher used quantitative research as statistic method since the data is numerical. Quantitative research on the other hand uses numbers to prove or disprove a hypothesis. Quantitative research uses data that are structure in the form of numbers or that can immediately transported into numbers (snapsurveys.com, 2012). Quantitative research is the most effective model to be used considering it supports and provides the fundamental understanding and relationship between empirical observation and mathematical expression of quantitative relationship and it is very structured and controlled exact approach to the result. The data then will be analyzed by SPSS which is the most effective tools to analyzed the numerical data. The model used will be multiple regression specifically linear based, considering the variables of this study consist of one dependent variable and three independent variables. Multiple regression is used when the researcher wants to predict the value of some variables based on the value of another variable. The variable that the researcher wants to predict is called the dependent variable. The variables that use to predict the other variable's value is called the independent variable (Laerd Statistic, accessed 2013). Therefore, the researcher chooses quantitative data as the methodology. This quantitative research used secondary data to generate the result from the research period covered January 2005 until December 2012.

3.2 Operational Definitions
These are some operational definitions that relate to the terms of this research, such as LDR, NPL, ROA, and CAR.

3.2.1 **Loan to Deposits Ratio (LDR)**

\[
\text{Loan to Deposit Ratio} = \frac{\text{Loans}}{\text{Deposits}}
\]

**Loan to Deposit Ratio (LDR)** is a ratio that is used in determining the amount of loans that a bank has out versus the amount of current deposits on hand at that same time. This ratio is determined by dividing the bank's loan amounts by the total amount of deposits, where as the limitation here, so the loans and deposits that stated in the quarterly financial report of BPD Kaltim since January 2005 until December 2012. The measurement scale is ratio.

3.2.2 **Non Performing Loan (NPL)**

\[
NPL = \frac{\text{nonperforming loan}}{\text{loans}} \times 100 \%
\]

**Non Performing Loan (NPL)** is a loan on which the borrower is not making interest payments or repaying any principal. To get this ratio, find the amount of nonperforming loan and divided by the total loans, then times by a hundred percent, where all the data are stated in the quarterly financial report of BPD Kaltim since January 2005 until December 2012. The measurement scale is ratio.

3.2.3 **Return on Assets (ROA)**

\[
ROA = \frac{\text{Net Income}}{\text{Average Total Assets}}
\]
**Return on Assets (ROA)** is a financial ratio that shows the percentage of profit that a company earns in relation to its overall resources (total assets). These data can be seen also in the quarterly financial report of BPD Kaltim since January 2005 until December 2012. This ROA can be measured by dividing net income by the average total assets. The measurement scale is also ratio.

### 3.2.4 Capital adequacy ratio (CAR)

\[
\text{Capital Adequacy Ratio} = \frac{\text{Tier 1 Capital} + \text{Tier 2 Capital}}{\text{Risk Weighted Assets}} \times 100
\]

**Capital adequacy ratio (CAR)** is bank’s ratio to measure the adequacy of capital that owned by the bank to support the assets that contain risk or generate the risk. This ratio is calculated by adding the tier 1 (core capital) with the tier 2 (supplementary capital) and divided by the risk weighted assets, then times a hundred percent. These data can be seen also in the quarterly financial report of BPD Kaltim since January 2005 until December 2012 with the total N is 32 samples. The measurement scale is ratio.

### 3.3 Research Instrument

#### 3.3.1 Data Collection Method

There two types of collecting the data, primary data (questionnaires, interview, etc.) and secondary data (data that already exist before or got from the previous research). And for this research, the researcher use secondary data for gathering the all information. The data came from the quarterly financial report of BPD Kaltim since 2005-2013. The researcher uses the following instrument to complete the study:
1. **SPSS**

SPSS (Statistical Package for Social Science) is software used for statistical purpose. SPSS is a software that serves to analyze data, perform statistical calculations both parametric and non-parametric. It makes easier the researcher to calculate the data and statistical analysis.

2. **Source of data**

The researcher reads and collects information as much as possible from articles, internet, journal related to banking or finance published by Bank Indonesia and other sources that include the information needed in this research.

### 3.3.2 Data Analysis Instruments

There are several tools that are beneficial for this research. By using Microsoft Excel 2007 and statistic software, which is SPSS version 20, the conclusion can be taken by describing the result test, whether to accept or to reject the hypothesis. The Microsoft Excel helps the researcher to analyze each variable, which are LDR, NPL, ROA, and CAR in describing the movement of ratio in graph quarterly. While the SPSS software helps the researcher in analyzing the significant relationship between variable by using regression analysis.

### 3.4 Sampling Design

Sampling is a process used in statistical analysis in predetermined number of observations will be taken from a larger population. The methodology used to sample from a larger population will depend on the type of analysis being performed, and this research took the sample by purposive sampling. The researcher uses secondary data and get the population from quarterly report of all stated owned by BPD Kaltim, which the data came from the bank’s financial ratio of BPD Kaltim. This research takes the period of January 2005 until December 2012 as the period of data analyzed so the number of N is 32 samples.
3.5 Data Analysis

In this research, the researcher will be using multiple regressions. Multiple regressions is an extension of simple linear regression in which more than one independent variable (X) is used to predict a single dependent variable (Y). The predicted value of Y is a linear transformation of the X variables such that the sum of squared deviations of the observed and predicted Y is a minimum. That will consist of F-test, t-test, and other assumption tests in order to test the research hypothesis.

3.5.1 Classical Assumption Test

This classical assumption will include the normality test (histogram and normal p-p plot), autocorrelation test (durbin-watson), multicollinearity test (tolerance and VIF), and heteroscedasticity test (scatterplot) for testing the independent variables (X1, X2, and X3) and the dependent variable (Y).

3.5.1.1 Normality test

Normality test is used to determine whether a data set is well-modeled by a normal distribution or not, or to compute how likely an underlying random variable is to be normally distributed. It might be conducted through a statistical test or graphical analysis. A set of data is assume to be normally distributed if the significance value obtained is greater than given parameter (α = 0,05) otherwise the sample data are not normally distributed.

Normality test is the first classic assumption test in order to use parametric statistic, which can used by implementing the normality test also can be done by using SPSS statistical software and can be seen in the graph of Histogram and normal P-P of Regression Standardized Residual. Throughout the histogram the data should show the bell-shaped of data distribution (no skewed to the left or
right). While in Normal P-P plot of data distribution, the data is normally distributed if the plotting is located in diagonal line or close to the line.

3.5.1.2 Autocorrelation Test

Autocorrelation is a statistical test that determines whether a random number generator is producing independent random numbers in a sequence. Autocorrelation test has an intention to examine whether a correlation of a time series with its own past and future values exist or not. Durbin-Watson is a statistical test that detects the presence of autocorrelation in the residuals of regression analysis. It was first formulated by James Durbin and Geoffrey Watson, thus giving it name Durbin-Watson. If the value of Durbin-Watson is in the range of -2 until +2, so there will not happen autocorrelation, but if not in that range, there might be an autocorrelation.

3.5.1.3 Multicollinearity Test

Multicollinearity is a condition where there is a high correlation among independent variables respectively in a regression model. Multicollinearity usually happens when most of the variables that used are interrelated in regression model. Hence, multicollinearity will not happen in a simple linear regression which only involves one independent variable.

There has been no a clear criteria in detecting the multicollinearity problem in a linear regression model. Besides, the high correlation may not necessarily have implications for multicollinearity problem. But we can see the indication of multicollinearity by using tolerance value and the most commonly used is variance inflation factor (VIF).

Until now there are no formal criteria to determine the lowest limit of tolerance of VIF. Some experts argue that if the tolerance value is less than 1 or the value of VIF is greater than 10, it indicates a significant multicollinearity. The set of variables used in the research is free from multicollinearity is when the values of
tolerance and VIF for each independent variables must be more than 0.01 and less than 10 respectively.

3.5.1.4 Heteroscedasticity Test

Heteroscedasticity refers to the circumstance in which the variability of a variable is unequal across the range of values of a second variable that predicts it. If there is no different variability therefore homoscedasticity exists. Commonly to indicate the heteroscedasticity, that can be seen by scatter plot graph. The data is well distributed if the plot are scattered or randomly spread around the graph.

3.5.2 Multiple Regression Analysis

Multiple regression analysis is an extension of simple linear regression. It is used when we want to predict the value of a variable based on the value of two or more variable. More precisely, multiple regression analysis helps us to predict the value of Y (dependent variable) for given values of X₁, X₂, …,Xₖ. In general, the multiple regression equation of Y on X₁, X₂, …,Xₖ is given by:

\[ Y = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon \]

Y : Capital Adequacy Ratio (CAR)
X₁ : Loan to Deposits Ratio (LDR)
X₂ : Non Performing Loan (NPL)
X₃ : Return on Assets (ROA)
\( \beta_1, \ldots, \beta_k \) : Regression coefficient
\( \epsilon \) : Error term

The regression coefficient value in this research is very important as a basis of analysis, because in this research is a fundamental method. It means, if \( \beta \) coefficient value is positive (+) then can be conclude that there is direct effect between independent variables with dependent variable. The increasing of
independent variable will result to raise the value of dependent variable. Otherwise, if $\beta$ coefficient value is negative (-), the increasing of independent variable will result to decrease the value of dependent variable.

3.5.2.1 Level of Significance

The researcher will be using multiple regression method to analyze the effect of LDR, NPL, and ROA toward CAR of BPD Kaltim. In this research, the dependent variable is CAR and the independent variables are LDR, NPL, and ROA.

There are three levels of significance that can be used when testing a hypothesis, 0.10, 0.05, and 0.01. For this research, this researcher will be using a level of significance of $\alpha = 0.05$ (5 %).

When the significance level or sig. F is less than $\alpha = 0.05$, Ha will be accepted. On the other hand, if sig. F is more than $\alpha = 0.05$, Ho will be accepted.

3.5.2.2 F-test

In this research, the researcher will be using the F-test in order to determine whether the LDR, NPL, and ROA are influencing the CAR. The equation for the multiple regressions will be as follows:

$H_0 : \beta_1=\beta_2=\beta_3 = 0$
$H_a : \beta \neq 0$

where,

$H_0 : \text{There is no significant effect by the fluctuations of LDR, NPL, and ROA toward CAR.}$
$H_a : \text{There is significant effect by the fluctuations of LDR, NPL, and ROA toward CAR.}$

3.5.2.3 t-test
In this research, the independent variables will be tested individually, whether LDR, NPL, or ROA significantly affecting the CAR.

3.5.3.1 LDR

In this LDR t-test, the hypothesis will be written as follows:

$H_0 : \beta_1 = 0$

$H_a : \beta_1 \neq 0$

Where,

$H_{01}$: There is no significant effect by the fluctuations of LDR toward CAR.

$H_{a1}$: There is significant effect by the fluctuations of LDR toward CAR.

If $H_0$ is rejected, then the researcher shall have evidence that proves that there is significant effect between LDR and CAR.

3.5.3.2 NPL

In this NPL t-test, the hypothesis will be written as follows:

$H_0 = \beta_2 = 0$

$H_a = \beta_2 \neq 0$

Where,

$H_{02}$: There is no significant effect by the fluctuations of NPL toward CAR.

$H_{a2}$: There is significant effect by the fluctuations of NPL toward CAR.

If $H_0$ is rejected, then the researcher shall have evidence that proves that there is significant effect between NPL and CAR.

3.5.3.3 ROA

In this ROA t-test, the hypothesis will be written as follows:

$H_0 = \beta_3 = 0$

$H_a = \beta_3 \neq 0$

Where,
Ho$_3$: There is no significant effect by the fluctuations of ROA toward CAR.
Ha$_3$: There is significant effect by the fluctuations of ROA toward CAR.
If Ho is rejected, then the researcher shall have evidence that proves that there is significant effect between ROA and CAR.

3.5.2.4 Coefficient of Correlation and Determination

Coefficient of correlation or usually known as R is a measure that determines the degree to which two variable's movements are associated. The correlation coefficient will vary from -1 to +1. A -1 indicates perfect negative correlation, and +1 indicates perfect positive correlation. A coefficient of correlation measures the strength and the direction of a linear relationship between two variables.

Coefficient of determination is a measure used in statistical model analysis to assess how well a model explains and predicts future outcomes. It is indicative of the level of explained variability in the model. The coefficient, also commonly known as R-square, is used as a standard to measure the accuracy of the model. One use of the coefficient of determination is to test the goodness of fit of the model. It is expressed as a value between zero and one. A value of one indicates a perfect fit, and therefore, a very reliable model for future forecasts. A value of zero, on the other hand, would indicate that the model fails to accurately model the dataset.

CHAPTER IV
ANALYSIS AND INTERPRETATION

4.1 Company Profile

BPD Kaltim is a Regional Government-owned Enterprise (BUMD, Badan Usaha Milik Daerah) with the legal status as a Regional Enterprise owned by the provincial Government of East Kalimantan along with District Municipal Governments across East Kalimantan. It was established on October 14, 1965 by A. Moeis Hasan. BPD Kaltim is established with the intention and purpose to help and encourage economic growth and regional development in all fields as well as a source of revenue in order to improve the standard of living so that the realization of prosperity people of East Kalimantan.

In addition as the Public Bank, BPD Kaltim also serves as an organ required in regional autonomy with the following duties:

1) To provide direction and support to the regional development;

2) To serve as a Local Treasurer and/or to maintain the region's fund; and

3) To become the source of locally-generated revenues.

As time goes by, BPD Kaltim is growing. A number of business sectors starts to look for work on. However, the existing legal framework is limiting the space of BPD Kaltim to evolve dynamically.

Pursuant to the letter of Bank Indonesia No. 5/48/KEP.DGS/2003 dated 1 November 2003, BPD Kaltim improved its operational status into Foreign Exchange Commercial Bank, and based on the Principle Permit from the
Indonesian Bank No. 8/5/DS/Smr dated 27 November 2006 and Operational Permit No. 8/7/DS/Smr dated 22 December 2006, Sharia Business Unit was officially in operation on 27 December 2006.

The headquarter of BPD Kaltim or Bankaltim now is in Samarinda at Jl. A. Yani, East Kalimantan. Nowadays, BPD Kaltim has 1 head office, 17 branch offices (15 conventional branch offices and 2 Sharia branch offices), 67 sub-branch offices (55 conventional branch offices and 12 Sharia branch offices), and 30 cash points offices (28 conventional cash points and 2 Sharia branch offices).

BPD Kaltim or Bankaltim as it is commonly called was established to help and promote the economic growth and regional development in all sectors as one source of locally generates revenues to improve the living standard of the people. In improving the quality of implementation, Good Corporate Governance (GCG) is one of the efforts to strengthen the banking industry. GCG implementation requires long strides in implementing its principles, which in the process will embed the values that would essentially establish a new culture in managing the process of corporate governance. Recognizing the importance of this process, BPD Kaltim as a company which the core business is closely relate to the local government and has a considerable role in boosting the economy of the region itself then apply the principles of good corporate governance; transparency, accountability, responsibility, independency, and fairness become an absolute necessity for business activities of BPD Kaltim.

**Principles of Good Corporate Governance**

1) **Transparency (Openness)**
Openness in expressing material and relevant information and transparency in the decision making process.

2) **Accountability**
Clarity of functions and the implementation of accountability of bank so the management will work effectively.

3) **Responsibility**
Conformity of the bank management with the law and legislation that applicable and the principles of healthy bank management.

4) Independency
Bank management professionally with no conflict of interest and influence/pressure from any party.

5) Fairness
Justice and equality in fulfilling the rights of stakeholders arising under treaties and law and regulation that applicable.

**Purpose**
Implementation of Good Corporate Governance by BPD Kaltim aims to:

1) Maximize the value of BPD Kaltim by applying the following principles; openness (transparency), accountability, responsibility, independency, and fairness, in order to have a strong competitive edge.

2) Improve the performance of BPD Kaltim, protect the self-interests of stakeholders and increase compliance with laws and regulations and ethical values which generally accepted in the banking industry.

3) Realizing BPD Kaltim management system that characterized the work in accordance of the professionally values and behaviors adopted by BPD Kaltim employees.

4) Increase the dependence and resistance of BPD Kaltim toward influences and practices that are contrary to the principles of good corporate governance.

**Corporate Culture**
Corporate culture is a set of norms, values and assumptions, which are believed to exist, and are owned in common (shared) within a company or work environment of the individual employees / working groups within the company. Corporate culture is not meant as a personal attitude change in the pattern of coercion but rather guidance for the application of a positive and robust working life. BPD Kaltim corporate culture is the attitude and behavior of BPD Kaltim, which should be reflected by the attitude and behavior of employees in achieving its mission. Attitudes and behaviors are a reflection of the assumptions, values,
and norms that exist in BPD Kaltim environment where employees work. Corporate culture BPD Kaltim is expected to be a Work Ethic must have the support of every employee to carry out consciously to achieve the company's mission. Therefore a very important presence in the company then needs to be realized formally and in writing to a common reference in all levels of an organization into a corporate culture, such below items:

Nine items of BPD Kaltim corporate culture:

1. Work with honesty, discipline, sense of responsibility and work hard.
2. Proficient of the knowledge of BPD Kaltim products and services, and also help to market the opportunities that exist.
3. Serving the customers
4. Always strive to improve the insight, knowledge, and skills that required for tasks/jobs.
5. Develop an entrepreneurial attitude, innovative, creative, and proactive in their respective duties.
6. Think, act, and work professionally.
7. Caring, responsive, and try to resolve the problem early.
8. Being open, tolerant, flexible, accommodating, and maintain the harmonious relationship among employees.
9. Maintain the image of Bank by discipline, neat appearance, be on time, and keeping promises.

**Vision and Mission**

BPD Kaltim has a vision like this; Be A Healthy Bank, Strong, Efficient, and Trustworthy bank. To accomplish their vision above, they have mission by providing banking products and services dynamically and sustainably.

**Motto**

The pride of Kaltim
Logo
Before the current logo that being used for BPD Kaltim, along with the establishment of BPD Kaltim, there are several times of changing the logo.

BPD Kaltim logo in 1965-1990

BPD Kaltim logo in 1991-2008

On 14 October 2008 at its 43rd anniversary, BPD Kaltim officially launched its new logo, which is type-based logo that combines letters “BPD” and text “bankaltim”. It is effective since 14 October until now.
Logo Description

Figure 4.1 – Logo Description of BPD Kaltim

A logotype combining letters “BPD” which represent that Bank Kaltim is Regional Development Bank in East Kalimantan

Golden yellow symbolized rich natural resources in East Kalimantan

Typeface Humanis which gives an image of friendliness in modernity

Blue color suggest safety which lead to trust

An illusion forming a grail which illustrate a safe “spot” in banking business

Unique.
In the formation of a term in Indonesia language, it is allowed to group two identical letter into one word. Such as kereta api becomes keretapi.

Source: www.bankaltim.co.id
Organizational Structure

Figure 4.2 - Organizational Structure of BPD Kaltim

Source: www.bankaltim.co.id
**Principles of BPD Kaltim**

Here are some principles of BPD Kaltim, as the following below in 7 core values:

1. Honest, responsible, quick, correct and accurate (integrity)
2. Aware of maintaining the bank’s image (brand awareness)
3. Cooperative, wise, tolerant, and flexible among employees (team work)
4. Thinking, acting, and working smartly and professionally (bankers minded)
5. Innovative, creative, and proactive in developing and selling products (marketing sense)
6. Responding to business development (sense of change)
7. Care for surrounding development (CSR)

**Products and services:**

Some products and services that BPD Kaltim offers to the costumers:

1. Savings:
   Simpeda, Haji al-Amin, Prama, TabunganKu
2. Giro (demand deposit):
   Rupiah Giro, Forex Giro
3. Time Deposit:
   Rupiah Deposit, Forex Deposit, Certificate of Deposit
4. Credit:
   Investment Loan, Working Capital Loan, Consumptive Loan, Local Employee Loan (civil servant)
5. Andotherservicesproducts:
   Domestic L/C, L/C of Import & Export, Safe Deposit Box, etc.

**Office and Services Network Development**

In carrying out the planning and development of the network in 2012, Development and Planning Division of BPD Kaltim implement several policies, namely:

1. Carrying out repositioning program by conducting marketing research for the improvement of corporate image.
2. Carrying out cooperation with the independent research institute to conduct the level of customer satisfaction rating.

3. Maintaining uniformity of Corporate Identity.

4. Developing a business network.

5. Developing products and services.

6. Increasing the value of quality of service and corporate culture.

7. Implementing integrated planning & budgeting systems in all branches.

8. Increasing efforts to monitor the implementation of all company SOPs related to banking products and services as well as other banking operations through Quality Assurance.

9. Evaluating the branch class and implementing branch system performance.

10. Creating a new product SOP.

11. Managing the business plan.

12. Performing the preparation of corporate plan.

13. Performing management of organizational structure.

4.2 Data Analysis

4.2.1 Descriptive Statistic of Research Variables

The data being used for this research are the financial ratios of the bank, in this research the bank is BPD Kaltim. These data are quarterly data from January 2005 until December 2012 that has been collected through the bank’s website. The instrument that used to analyze the data is SPSS version 20. The dependent variable is Capital Adequacy Ratio and the independent variables are the financial ratio of bank, which are Loan to Deposits Ratio, Non-Performing Loan, and Return on Assets.
Table 4.1 – Descriptive Statistics

Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAR</td>
<td>0.2331</td>
<td>0.04246</td>
<td>32</td>
</tr>
<tr>
<td>LDR</td>
<td>0.4156</td>
<td>0.17283</td>
<td>32</td>
</tr>
<tr>
<td>NPL</td>
<td>0.0266</td>
<td>0.00827</td>
<td>32</td>
</tr>
<tr>
<td>ROA</td>
<td>0.0394</td>
<td>0.00840</td>
<td>32</td>
</tr>
</tbody>
</table>

Source: SPSS 20

As stated in the tables above, we can see the result of descriptive analysis from the four variables. The total sample for each variable is 32 samples. We may see that the dependent variable CAR has mean 0.233 with standard deviation 0.425. While the independent variables, such as; LDR has mean 0.416 with standard deviation 0.173, NPL has mean 0.027 with standard deviation 0.008, and ROA has mean 0.039 with standard deviation 0.008.

Standard deviation (σ) show how far possible values that obtained deviate from the expected value. The greater standard deviation, the greater the possibility of real value to deviate from the expected value. In some cases, where the mean value of each variable is smaller than the standard deviation, usually there are outliers (that data is too extreme). From the above, it can be concluded that the data of variables LDR, NPL, ROA and CAR show that normally distributed, it is because the standard deviation which reflects the deviation of the variable data (LDR, NPL, ROA and CAR) is smaller than the mean value.
Based on the figure 1.1 also we can see the data that used in this research since 2005 until 2012. Among the independent variables, LDR, ROA, and NPL, can be seen that LDR has sharp fluctuations in that period, and also for ROA and NPL, eventhough both of them do not really have significant fluctuations in that period.

This research will be using multiple regressions to analyze the effect of LDR, NPL, and ROA toward the CAR of BPD Kaltim period 2005 to 2012. In order to ensure that the data might indicates whether a deviation or anomaly exist within the result gain from the regression analysis, the researcher will be conducting classical assumption test which include normality test, autocorrelation test, multicollinearity test, and heteroscedasticity test. The researcher will also use coefficient of determination to test how well the model used can predict future outcomes.

4.2.2 Normality test

Normality test are used to determine whether a random variable is normally distributed or not. By inputting the data into SPSS, there will be several result derived, which show the data whether normal distributed or not. To test the normality, it can be seen by histogram and normal P-P plot. And below is the normal P-P plot graph for the data that being used.
From the picture above, the normal probability plot (normal P-P plot) has points which nearly on lying or near the straight line drawn through the middle half of the points. This means the data followed a linear relationship model and this normal P-P plot shows the result of standardized residual that are in whirlpool of diagonal line, means that it shows normality of data.

In histogram below can be seen that the data is normally distributed because the bar is inside the line, and the curve shape forms a bell-shaped.
4.2.3 Autocorrelation test

Autocorrelation problem usually appears on time series data, in which each of data population of each independent variable has correlation with another data in the same variable. In texting the existence of autocorrelation, an autocorrelation test is implemented, which generally uses Durbin Watson test. Durbin Watson used to test the autocorrelation with condition if the value in range between -2 until 2 means there is no autocorrelation (Berenson et al, 2006).
Table 4.2 – Model Summary Autocorrelation test

| Model Summary<sup>b</sup> |  
|--------------------------|--
| Model                    |  
| 1                        | Durbin-Watson      | 1.322 |

<sup>a. Predictors: (Constant), ROA, NPL, LDR</sup>  
<sup>b. Dependent Variable: CAR</sup>

From the table above, the Durbin-Watson shows value of 1.322 which is between -2 and 2 (-2<DW<2), as stated in previous chapter, so the researcher conclude that the regression equation has no tendency of the existence of autocorrelation.

4.2.4 Multicollinearity test

Multicollinearity is a condition whereby two or more independent variables are correlated. There are a few indications of multicollinearity that can be observed the presence of multicollinearity between variables can be tested by checking a set of values produced by the calculation in SPSS.

In the multicollinearity test, the researcher can use the value of tolerance and value of Variance Inflation Factors (VIF). For a value of tolerance, there is no multicollinearity if the value is more than 0.1 ($\alpha = 10\%$) and VIF is the reciprocal of the tolerance that show how much the variance of the coefficient estimate is being inflated by multicollinearity. There is no multicollinearity if VIF is less than 10 (Berenson et al, 2006).

From the table 4.3 below, the tolerance values are more than 0.1, where tolerance of LDR is 0.804, NPL is 0.817, and ROA is 0.843. and the VIF value of all independent variables are less than 10, where LDR has value of VIF 1.243, NPL has 1.224, and ROA has 1.186, so the researcher can conclude that there is no evidence that multicollinearity exist.
Table 4.3 – Multicollinearity test

<table>
<thead>
<tr>
<th>Model</th>
<th>Collinearity Statistics</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>LDR</td>
<td></td>
<td>.804</td>
<td>1.243</td>
</tr>
<tr>
<td>NPL</td>
<td></td>
<td>.817</td>
<td>1.224</td>
</tr>
<tr>
<td>RCA</td>
<td></td>
<td>.843</td>
<td>1.186</td>
</tr>
</tbody>
</table>

*a. Dependent Variable: CAR*

Source: SPSS 20

4.2.5 Heteroscedasticity test

Figure 4.5 Heteroscedasticity test

Source: SPSS 20
From figure 4.3 is a test result for heteroscedasticity known as scatter plot. When the scatter plot shows a plot tendency of crowding together, then it can be concluded that the data is homoscedasticity in nature. However, if the scatter plot shows a plot with a tendency of spreading out and scattering throughout the figure, it can be concluded that the data is heteroscedasticity in nature. The scatter plot result of this research shows that the plot is scattered throughout the figure. It does not crowd one each other. Therefore, it can be concluded that the data is heteroscedasticity in nature.

4.2.6 Multiple Regression Analysis

In this multiple regression analysis, the researcher try to testing the hypohesis by using F-test, t-test, and R square. In this regression model using all variables, which are LDR, NPL, and ROA as the independent variables and CAR as the dependent variable. By using SPSS software, here are the results:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(.Constant)</td>
<td>.379</td>
<td>.034</td>
<td>11.175</td>
</tr>
<tr>
<td>LDR</td>
<td>-.137</td>
<td>.034</td>
<td>-.558</td>
<td>-4.055</td>
</tr>
<tr>
<td>NPL</td>
<td>.892</td>
<td>.701</td>
<td>-.174</td>
<td>-1.272</td>
</tr>
<tr>
<td>ROA</td>
<td>-1.654</td>
<td>.679</td>
<td>-.327</td>
<td>-2.435</td>
</tr>
</tbody>
</table>

*a. Dependent Variable: CAR
Source: SPSS 20

In this research, beta value of standardized coefficients will be used as the variables have same scales. The value will be used as the coefficient of each independent variable. Two of the variables’ significances are below value 0.05 (meaning both LDR and ROA variables are significant), and one variable, NPL does not have significance effect toward dependent variable.
Due to the result of t-test above, then the regression equation will be:

\[ Y = -0.558X_1 - 0.174X_2 - 0.327X_3 \]

\( X_1 \): LDR  
\( X_2 \): NPL  
\( X_3 \): ROA  
\( Y \): CAR

### 4.2.6.1 F-test

From the table below, ANOVA (Analysis of Variance) show the value of F calculation. F test, or simultaneously effect test for this research will be used to discover the collective influence possessed by independent variables LDR, NPL, and ROA.

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>( F )</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>.032</td>
<td>3</td>
<td>.011</td>
<td>12.558</td>
<td>.000*</td>
</tr>
<tr>
<td>1 Residual</td>
<td>.024</td>
<td>28</td>
<td>.001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>.056</td>
<td>31</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: CAR  
b. Predictors: (Constant), ROA, NPL, LDR  

**Source: SPSS 20**

The hypotheses being used for the F-test for this research are as follows:

\( H_0 : \beta_1 + \beta_2 + \beta_3 = 0 \)

\( H_a : \) at least one of \( \beta \neq 0 \)

If the level significance is more than a given parameter 0.05 (5%), than Ho will be accepted. However, if the level of significance is less than 0.05, Ha will be accepted.
accepted and it will prove that collectively the independent variables have a significant influence over the dependent variable.

Table 4.4 above shows the value significance of the F-test for this research. The significance level is 0.000, it means that the research accepts Ha and strongly rejects Ho, where the independent variables have significant effect toward the dependent variable.

4.2.6.2 t-test

Partial test or t-test is used to measure the influence of each independent variable towards the dependent variable. If the level of significance is less than 0.05, then Ha will be accepted. Then, if the level of significance is more then 0.05, then Ho will be accepted. And based on table 4.4 above, these are the hypothesis for the t-test for each independent variables:

1. LDR
   \[ H_0 = \beta_1 = 0 \]
   \[ H_a = \beta_1 \neq 0 \]

   Based on the table 4.4 above known that the level of significance is less than 0.05, which the LDR has significant level is 0.000. This proves that LDR has significant effect toward CAR, so for this research Ho will be rejected and Ha strongly accepted.

2. NPL
   \[ H_0 = \beta_2 = 0 \]
   \[ H_a = \beta_2 \neq 0 \]

   Based on the table 4.4 above known that the level of significance is more than 0.05, which the NPL has significant level is 0.214. This proves that NPL has no significant effect toward CAR, so for this research Ho will be accepted and Ha strongly rejected.
3. ROA

\[ Ho = \beta_3 = 0 \]
\[ Ha = \beta_3 \neq 0 \]

Based on the table 4.4 above known that the level of significance is less than 0.05, which the ROA has significant level is 0.021. This proves that ROA has significant effect toward CAR, so for this research Ho will be rejected and Ha strongly accepted. So the multiple regression result can be explained by:

1. Coefficient variable LDR = \(-0.558\) it means that in every 1% increase of LDR will cause the decline of CAR 0.558%, with assumption that independent variables are constant.

2. Coefficient variable NPL = \(-0.174\) it means that in every 1% increase of NPL will cause the decline of CAR 0.174%, with assumption that independent variables are constant.

3. Coefficient variable ROA = \(-0.327\) it means that in every 1% increase of ROA will cause the decline of CAR 0.327%, with assumption that independent variables are constant.

Then, due to the significant variables just LDR and ROA, the researcher re-run the SPSS just for the both significant variables in order to get a fit regression model. And here is the result for the t-test:

![Table 4.6 – t-test (sig.variables)](source: SPSS 20)
Based on the second model of regression, found that the significance level of both independent variable still less than a given parameter, which is 5%. It means both variables have strong significant effect toward CAR.

4.2.6.3 Coefficient of Correlation (R) and Coefficient of Determination (R square)

Coefficient of correlation or usually known as R is a measure that determines the degree to which two variable's movements are associated. It shows how strength the relationship between independent variables and dependent variable. The R criteria as follows:

- $0 - 0.25$ = very weak correlation
- $0.25 - 0.50$ = sufficient correlation
- $0.50 - 0.75$ = strong correlation
- $0.75 - 1$ = very strong correlation

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.757$^a$</td>
<td>.574</td>
<td>.528</td>
</tr>
</tbody>
</table>

*a. Predictors: (Constant), ROA, NPL, LDR  
b. Dependent Variable: CAR

Source: SPSS 20

The coefficient of determination test is used to explain the correlations between independent variables and dependent variable. If the R square is high means that the variability dependent variable can be explained by independent variable. However, the value of R square is to measure the regression or correlation to the data.
From the table, the researcher can see the coefficient of correlation (R) and coefficient of determination (R square), where R is 0.757 indicates that the relationship of the independent variables which are LDR, NPL, and ROA toward CAR has a strong correlation. R square is 0.574 indicates that 57.4% the variability in the dependent variable CAR can be explained by LDR, NPL, and ROA. The rest of 42.6% is explained by other variables that are not explained in this regression model.

Based on the data analysis above, known that there are only two variables that significant to the dependent variable CAR, they are LDR and ROA that have significance level less than 0.05 or 5%. Then after the researcher re-run the SPSS for only the significant variables toward CAR, which is LDR and ROA, then the result as below.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.741a</td>
<td>.549</td>
<td>.518</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), ROA, LDR
b. Dependent Variable: CAR

**Source: SPSS 20**

The reseacher have tried to get a fit model of regression, but since there is no significant different between the first run and the second run of SPSS, then the researcher still using the first run of SPSS with the three independent variables, LDR, NPL, and ROA, and also one dependent variable, CAR.
4.3 Interpretation of Result

In accordance with the data analysis above, based on the SPSS about the LDR, NPL, and ROA as the independent variables toward CAR as dependent variable, where the data are gained from quarterly report of BPD Kaltim since 2005-2012. The researcher can interpreted some result as follows:

4.3.1 F-test Interpretation result

The regression analysis gained in this research shows that there is simultaneously effect of all independent variables tested including LDR, NPL, and ROA on CAR of a bank. This F-test shows that those three independent variables have strong effect toward the dependent variable. This result is reasonable enough to be accepted considering the capitalization of a bank cannot be separated by other financial ratios of a bank. This result is supported by the research of Fatwal Sam in 2012 entitled “Analysis the influence of LDR, NPL, and ROA toward CAR of all Regional development Bank in Indonesia”. The result of his research indicates that those three variables has strong effect toward CAR simultaneously.

Another research by Wiwin Indrawati in 2012 entitled “Factors that influence to Capital Adequacy Ratio in all government banks in Indonesia” stated that LDR, IPR, APB, NPL, BOPO, ROA, NIM, and IRR, simultaneously have influence toward CAR.

4.3.2 T-test Interpretation Result

The data analyzed by using the partial test or t-test (see table 4.4). It shows how the each independent variable tested in this research toward the dependent variable. Each independent variable has different result, and will elaborate as follow.

Based on this research, known that there are only two variables that have strong effect toward the dependent variable CAR, they are LDR and ROA. Meanwhile NPL does not have strong effect toward CAR.
This is proved by the research from Sam (2012) that said LDR and ROA simultaneously have significant influence toward CAR. This result is also supported by the research from Krisna (2008), he said that LDR and ROA have strong effect toward dependent variable, which is CAR.

LDR itself reflects the bank’s ability in channeling the third party funds in the form of credit. This is the ratio that used to determine between the amount of loans that bank has channeled and the amount of current deposits on hand at the same time. The higher LDR means the growth in amount of loans is greater than the growth in total deposits of the bank. This will lead the declining of CAR. LDR has negative effect and this is supported by the research from Krisna (2008), he said that the negative value that showed by LDR shows that the higher LDR, the riskier of bank liquidity condition, and conversely the lower LDR shows the lack of bank affectivity in channeling the loans. Due to the higher LDR will cause CAR is decline (liquidity condition is threatened), so LDR has negative effect toward CAR.

ROA can show the health of a bank. The larger ROA of a bank, the greater the level of profit that bank can be achieved and the better position in terms of asset utilization. So CAR as an indicator of bank will increase as well. But in this research ROA has negative effect toward CAR. It is inversely proportional to the theory, where ROA has positive effect toward CAR. But based on Ardino’s research (2008), the relationship of ROA toward CAR is negative. According to theory when ROA has increased is causing the increased of CAR also. This was due to the increasing profit so CAR will also increasing. And in his research when ROA has increased, CAR has decreased. ROA has increased was due to the increasing of Risk Weighted Assets, this increased of risk weighted assets causing the increased of interest income. But this increased of risk weighted assets causing the decreased of CAR because risk weighted assets cannot provide profit yet. Another reason why ROA and CAR has negative relationship is based on the calculation of CAR itself, CAR can obtained by dividing the capital with the risk weighted assets. When there is a difference in the increasing amount of capital and the risk weighted assets, then the value of CAR will negative. It occurs when
the increasing of risk weighted asset is higher than the capital. It also can caused by the agency trouble between the shareholders and the bank. By looking the higher amount of ROA, it possible that the shareholder take the opportunity by taking much profit, that can make the capital decrease(Ardino, 2008).

Another purpose in this research is to examine whether NPL has effect toward CAR of a bank. In theory, NPL has negative effect toward CAR, if NPL has increase, then CAR will decrease. This will resulted the declining of banks’ interest income and the profitability of a bank as well. In this research indicates that NPL has no strong effect toward CAR of BPD Kaltim, which means the fluctuations happened in NPL has no impact on driving the CAR. This is supported by RizaindhiArdino’s research, he said that NPL has no significant effect toward CAR of Government Banks in Indonesia(Ardino, 2008).
CHAPTER V

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

This research aims to examine the effect between LDR, NPL, and ROA toward CAR of BPD Kaltim for period 2005 until 2012 which the data is retrieved from the financial quarterly report of BPD Kaltim. This will conclude the partial effect and simultaneously effect of LDR, NPL, and ROA toward CAR.

From Liquidity Ratio, which is LDR, partially has strong negative effect toward CAR so the alternate hypothesis (Ha) is accepted, because LDR has less than 5% of significance level. The negative effect of LDR indicates that LDR is inversely proportional to CAR. If LDR is increasing, so CAR will decrease, and vice versa. The higher LDR will shows that the amount of funds that needed to finance the loan will getting higher so it will make the amount of bank capital (CAR) is getting lower.

Based on Asset Quality Ratio, which is NPL, partially has no significant effect toward CAR. This means null hypothesis is accepted, because NPL has significance level more than 5%. The data of NPL that being used does not have significant fluctuations in the period of 2005 until 2012, this condition presumed to arise and considering that any fluctuation on NPL will has no impact in driving the CAR.

From Profitability Ratio, which is ROA, partially has significant effect toward CAR. So alternate hypothesis is accepted and reject null hypothesis, it means that less than a given parameter 5%. ROA has negative effect toward CAR, it means ROA is inversely proportional to CAR. This is the inverse of theory that ROA is directly proportional to CAR, where ROA is increase so CAR will also increasing. But in this case, when ROA has increased, CAR has decreased. ROA has
increased was due to the increasing of Risk Weighted Assets, this increased of risk weighted assets causing the increased of interest income. But this increased of risk weighted assets causing the decreased of CAR because risk weighted assets cannot provide the profit yet. It could be also from the difference amount of increasing the capital and the riskweighted assets, that will make a negative amount the CAR. And also it possible if the shareholder take the opportunity by taking much profit, because the high amount of ROA that can make the capital decrease.

Simultaneously, all independent variables which are LDR, NPL, and ROA have significant effect toward CAR of BPD Kaltim. This means in every change that happen to independent variable, which are LDR, NPL, and ROA, simultaneously will influence to CAR of BPD Kaltim. If BPD Kaltim can optimized the LDR, NPL, and ROA simultaneously, so BPD Kaltim can increase their Capital Adequacy Ratio.

5.2 Recommendation

1. For BPD Kaltim

For bank management, it is expected to always maintain a level of capital, so it will increase the bank’s financial performance. By looking at the CAR, it is expected to bank is able to provide funds for business development purposes and to accommodate the possibility of the risk of loss that resulting from the operation of the bank. Beside the capital, bank also needs to maintain the value of the risk weighted assets as well, so that the increasing of the capital and the risk weighted asset will lead the increasing of CAR.

Stabilize and maintain the LDR in a good position by observing the quality of loan distributed so in the future will not be troubled loans, so that the bank can gain the profit from loans. Bank management is also need to consider about the amount of LDR, if we recall that the negative value that showed by the result shows that the higher LDR, it means the higher risk of bank liquidity.
ROA is one of the most important ratio that used to predict the profit of the bank. ROA is used to measure the effectiveness of the bank in generating the profit by leveraging the bank’s assets. Since ROA has significant effect toward CAR, so bank needs to pay attention and maintain the value of this ratio.

2. For next researcher

For the next researcher, use more independent variables beside the existing variables in this research. For better result, add more banks’ financial ratios to enhance this research and to gain more knowledge for students about banking industry.
REFERENCES

Book


Internet


www.bankaltim.co.id

Journal


APPENDICES
### Appendix 1: Report of Quarterly Financial Ratio of BPD Kaltim in 2005

<table>
<thead>
<tr>
<th></th>
<th>March</th>
<th>June</th>
<th>September</th>
<th>December</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAR</td>
<td>25.09 %</td>
<td>26.16 %</td>
<td>28.02 %</td>
<td>27.72 %</td>
</tr>
<tr>
<td>NPL</td>
<td>1.86 %</td>
<td>2.66 %</td>
<td>3.20 %</td>
<td>1.58 %</td>
</tr>
<tr>
<td>ROA</td>
<td>4.17 %</td>
<td>3.95 %</td>
<td>4.10 %</td>
<td>3.50 %</td>
</tr>
<tr>
<td>LDR</td>
<td>30.51 %</td>
<td>33.67 %</td>
<td>36.16 %</td>
<td>22.94 %</td>
</tr>
</tbody>
</table>

### Appendix 2: Report of Quarterly Financial Ratio of BPD Kaltim in 2006

<table>
<thead>
<tr>
<th></th>
<th>March</th>
<th>June</th>
<th>September</th>
<th>December</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAR</td>
<td>27.08 %</td>
<td>24.15 %</td>
<td>25.93 %</td>
<td>29.88 %</td>
</tr>
<tr>
<td>NPL</td>
<td>4.04 %</td>
<td>2.25 %</td>
<td>2.94 %</td>
<td>1.30 %</td>
</tr>
<tr>
<td>ROA</td>
<td>3.54 %</td>
<td>3.88 %</td>
<td>3.75 %</td>
<td>3.38 %</td>
</tr>
<tr>
<td>LDR</td>
<td>28.45 %</td>
<td>21.11 %</td>
<td>20.53 %</td>
<td>17.90 %</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th></th>
<th>March</th>
<th>June</th>
<th>September</th>
<th>December</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAR</td>
<td>33.27 %</td>
<td>28.49 %</td>
<td>25.39 %</td>
<td>27.14 %</td>
</tr>
<tr>
<td>NPL</td>
<td>1.66 %</td>
<td>3.21 %</td>
<td>2.84 %</td>
<td>1.94 %</td>
</tr>
<tr>
<td>ROA</td>
<td>3.41 %</td>
<td>3.57 %</td>
<td>3.11 %</td>
<td>3.25 %</td>
</tr>
<tr>
<td>LDR</td>
<td>20.79 %</td>
<td>22.54 %</td>
<td>22.15 %</td>
<td>24.05 %</td>
</tr>
</tbody>
</table>

<table>
<thead>
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<th></th>
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<th>September</th>
<th>December</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAR</td>
<td>23.94 %</td>
<td>17.35 %</td>
<td>16.97 %</td>
<td>25.13 %</td>
</tr>
<tr>
<td>NPL</td>
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<td>1.76 %</td>
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</tr>
<tr>
<td>ROA</td>
<td>4.59 %</td>
<td>4.91 %</td>
<td>4.85 %</td>
<td>4.64 %</td>
</tr>
<tr>
<td>LDR</td>
<td>30.54 %</td>
<td>34.24 %</td>
<td>31.57 %</td>
<td>33.68 %</td>
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### Appendix 5: Report of Quarterly Financial Ratio of BPD Kaltim in 2009

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<tbody>
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<td>CAR</td>
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<td>23.80 %</td>
<td>21.25 %</td>
<td>22.03 %</td>
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<td>NPL</td>
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<td>1.37 %</td>
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<tr>
<td>ROA</td>
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<td>3.90 %</td>
<td>3.73 %</td>
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</tr>
<tr>
<td>LDR</td>
<td>37.36 %</td>
<td>42.57 %</td>
<td>50.35 %</td>
<td>69.11 %</td>
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</table>

### Appendix 6: Report of Quarterly Financial Ratio of BPD Kaltim in 2010

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<tbody>
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<tr>
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<td>4.53 %</td>
<td>4.62 %</td>
<td>5.23 %</td>
</tr>
<tr>
<td>LDR</td>
<td>56.73 %</td>
<td>61.02 %</td>
<td>62.22 %</td>
<td>81.69 %</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
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<th>June</th>
<th>September</th>
<th>December</th>
</tr>
</thead>
<tbody>
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<td>4.87 %</td>
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<td>LDR</td>
<td>67.49 %</td>
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<td>59.95 %</td>
</tr>
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</table>

Appendix 8: Report of Quarterly Financial Ratio of BPD Kaltim in 2012

<table>
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<tr>
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<th>June</th>
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</thead>
<tbody>
<tr>
<td>CAR</td>
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<td>20.60 %</td>
<td>21.06 %</td>
<td>22.81 %</td>
</tr>
<tr>
<td>NPL</td>
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</tr>
<tr>
<td>LDR</td>
<td>45.11 %</td>
<td>44.68 %</td>
<td>45.07 %</td>
<td>56.78 %</td>
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</table>