Journal of Economics, Finance and Management Studies

ISSN (print): 2644-0490, ISSN (online): 2644-050

Volume 07 Issue 07 July 2024

Article DOI: 10.47191/jefms/v7-i7-10, Impact Factor: 8.044

Page No: 3417-3422

The Covid 19 Pandemic: Impact on Financial Performance Banking Companies Listed on the Indonesian Stock Exchange 2019 – 2022

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ABSTRACT: This research was conducted to analyze the influence of the Covid 19 pandemic on banking sector companies listed on the Indonesia Stock Exchange using the Capital Adequancy Ratio (CAR), operational expenses to operating income (BOPO), Non-Performing Loans (NPL), total assets, Human Capital (HC) on Return on Assets (ROA) for the period 2019-2022. The sampling technique used was purposive sampling with the criteria (1) all conventional banking companies that were listed on the Indonesia Stock Exchange during the observation period (2019-2022); (2) Companies that always present financial reports during the observation period (2019-2022); (3) Have complete data according to the required research variables. Data obtained from the published Indonesian Stock Exchange. A sample of 30 banking companies was obtained. The analysis technique used is panel data regression. The results of the analysis using eviews 12 software show that (1) CAR has a positive and significant effect on ROA; (2) BOPO has a negative and significant effect on ROA; (3) NPL has a negative and significant effect on ROA; (4) Total assets have a positive and significant effect on ROA; (5) HC has a positive and significant effect on ROA; (6) There is no difference in ROA during the pandemic and after the Covid-19 pandemic.

KEYWORDS: Capital Adequancy Ratio (CAR), operating expenses to operating income (BOPO), Non-Performing Loans (NPL), total assets, Human Capital (HC), Return on Assets (ROA), and the Covid 19 Pandemic.

INTRODUCTION

One indicator that can be used to measure a company's financial performance is profitability. Profitability is the company's ability to generate profits. Profitability in this research is measured using Return on Assets (ROA). Return On Assets (ROA) According to Kasmir, (2016:201) ROA is used to show the bank's ability to generate profits with the total assets owned by the bank. ROA is a very important ratio in profitability ratios. ROA is used to measure bank management in obtaining profits (profit before tax) resulting from the average total assets of the bank concerned; If the ROA is greater, the greater the level of profit achieved by the bank so that the possibility of a bank being in trouble is smaller. Bank performance is important because it is a reflection of the bank's ability to manage aspects of its capital and assets in gaining profits, as well as the implications of the bank's function as an intermediary where bank liquidity is measured based on credit distributed to the public compared to funds provided by third parties. To determine the level of soundness of a bank's financial performance, namely measuring profitability which is proxied by ROA.

Assessment of capital factors includes evaluation of capital adequacy and capital management adequacy. In carrying out capital calculations, including linking capital adequacy with risk profiles, banks refer to the provisions of the Financial Services Authority which regulates the Minimum Capital Requirement (KPMM) for Commercial Banks. The higher the bank's risk, the greater the capital that must be provided to anticipate this risk. The capital adequacy ratio can be calculated using the Capital Adequacy Ratio (CAR). In simple terms, KPMM provides an overview of the minimum capital percentage that a bank should have in anticipating possible losses, especially when there is a decline in asset value. Research conducted by Sabir et al (2012) shows that CAR has no effect on the financial performance of Islamic and conventional banking companies as measured using the ROA value. This is different from the research results obtained by Sullivan and Widoatmodjo (2021) which found that there were significant differences in the CAR of banking companies listed on the IDX from 2019 to 2020.

In the midst of difficulties in maintaining their business during the pandemic, banking companies are also required to be able to provide profits for their company shareholders. These benefits can be realized through the company's profit generation. BOPO is one of the ratios that a company can use to measure profit by utilizing every resource it has, such as sales, cash, capital and so on, Sullivan and Widoatmodjo (2021). The BOPO ratio can also measure the ability to manage resources or operational costs from the operational income it receives. By increasing the company's working capital, the operational costs that must be incurred will also increase, which will affect the company's net profit. In research conducted by Heliani et al (2023) it was found that BOPO had a significant effect on increasing profits in improving financial performance. In contrast to research conducted by Maulana and Helmayunita (2021), the results found that BOPO had a negative effect on the ROA of commercial banks in Indonesia.

Furthermore, the government through POJK No. 11/POJK.03/2020 concerning national economic stimulus as a countercyclical policy for the impact of the spread of Covid 2019. It is hoped that banking companies can provide relaxation for the credit they provide to customers due to the reduction in customer capacity to fulfill their obligations. Due to this policy, banking companies are also affected by the credit assessments they have provided. Credit risk is a risk that indicates the possibility that the credit that has been given will not be returned on time in accordance with the agreement agreed in the bank's credit contract with its customers. Credit risk can be calculated using Non-Performing Loans (NPL) (Rimbawa, 2022). Several studies regarding the impact of Covid-19 on the banking sector in Indonesia have been carried out at several banks (Supeno & Hendarsih, 2020); (Effendi & Hariani, 2020); (Sirait & Pardede, 2020); (Ferdinandus, 2020). Supeno & Hendarsih's (2020) study revealed that there was a decrease in credit growth, an increase in non-performing loans (NPL), and a decrease in Return on Assets (ROA) in BPRs during the Covid-19 period.

A company's performance is considered good not only based on financial assessments alone. According to Herlindayantri and Hariadi (2018), measuring the performance of a company which only looks at financial aspects is still traditional, whereas to be able to show the company's actual performance can be done through considering non-financial aspects such as intellectual capital that the company can use to compete and gain long-term benefits. According to Pulic (2000) Intellectual capital is human resources and abilities to be able to create added value for the company where he works. The main elements of intellectual capital according to the Chartered Institute of Management Accountants (CIMA) are: human capital, relational capital and structural capital. A company's performance during a pandemic really depends on the people who work in the company. Human Capital (HC) is human resource capital which includes the knowledge, skills and experience that employees have and take with them when they leave. With a qualified HC, difficult conditions such as the Covid-19 pandemic should be able to be overcome by the company.

METHODS

The variable tested in this research is the financial performance of banking companies in Indonesia during and after the Covid-19 pandemic. The procedures for assessing the performance of this financial report refer to SEOJK No. 03 of 2020 concerning Transparency and Publication of Conventional Commercial Bank Reports, banking companies to be able to show information on their financial performance must be able to provide an assessment of the calculation of the Minimum Capital Requirement (KPMM), calculation of financial ratios such as Return on Assets (ROA), and Operational Expenses to Income Operational (BOPO), POJK No. 11/POJK.03/2020 which regulates the relaxation of credit provided by banking companies so that it has an impact on their performance as well as non-financial measurements in the form of human capital measurements. In this study, the variables tested for the effect of financial performance were as a proxy for the Capital Adequancy Ratio (CAR), Operational Expenses to Operating Income (BOPO), Non-Performing Loans (NPL), Total Assets and Human Capital (HC) to Return on Assets (ROA).

RESULT AND DISCUSSION

Hypothesis Test

Panel data multiple linear regression is a regression analysis with a data structure that is panel data. Gujarati, (2015) Panel data regression is a model that studies the same group of entities (individuals, companies, states, countries, and the like) over time. Panel data sets have cross-sectional and time series dimensions (Wooldridge, 2016). Multiple linear regression analysis was used to determine the influence of the independent variables, namely Capital Adequacy Ratio (CAR), Operational Expenses on Operating Income (BOPO), Non-Performing Loans (NPL), Total Assets and also Human Capital (HC) on Performance (ROA). The calculation of multiple linear regression coefficients was carried out using regression analysis using eviews 12 software, the results of which are presented in Table 1 below.

Table 1. Panel Data Linear Regression Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-40.83346	9.043734	-4.515111	0.0000
CAR1	1.756918	0.332236	5.288160	0.0000
BOPO	-0.771297	0.239272	-3.223519	0.0017
NPL	-0.283662	0.076329	-3.716308	0.0003
ASET	9.303844	1.966797	4.730454	0.0000
HC1	0.098795	0.046882	2.107322	0.0374
R-Squared	0.502515			
F-Statistic	22.22247			
Prob(F-Statistic)	0.0000			

Secondary Data, 2024

The table above shows the results of panel data regression analysis using the Fixed Effect Model (FEM) estimation model, then there are the results of the coefficient of determination test, the f statistical test.

t Test Results

The test results presented in Table 1 above can be described in the regression equation as follows:

ROA = -40.83 + 1.7569*CAR1 - 0.7712*BOPO - 0.2836*NPL + 9.3038*ASSETS +0.0987*HC1

It can be explained in relation to the regression equation above as follows:

The constant value (c) is -40.83 which means that if the Capital Adequacy Ratio (CAR), Operating Expenses to Operating Income (BOPO), Non-Performing Loans (NPL), Total Assets and also Human Capital (HC) are zero or constant, then the amount of Performance (ROA) is -40.83.

The regression coefficient value for the Capital Adequacy Ratio (CAR) variable is 1.7569 which means that if the Capital Adequacy Ratio (CAR) variable increases by one unit, then Performance (ROA) will increase by 1.7569 with the assumption that the other variables are constant.

The regression coefficient value for the variable Operational Expenses to Operating Income (BOPO) is -0.7712, which means that if the variable Operational Expenses to Operating Income (BOPO) increases by one unit, then Performance (ROA) will decrease by 0.7712 with the assumption that the other variables are constant.

The regression coefficient value for the Non-Performing Loan (NPL) variable is 0.2836 which means that if the Non-Performing Loan (NPL) variable increases by one unit, then Performance (ROA) will decrease by 0.2836 assuming that the other variables constant value.

The regression coefficient value for the Total Assets variable is 9.3038, which means that if the total assets variable increases by one unit, then Performance (ROA) will increase by 9.3038 with the assumption that the other variables are constant.

The regression coefficient value for the Human Capital (HC) variable is 0.0987, which means that if the Human Capital (HC) variable increases by one unit, then Performance (ROA) will increase by 0.0987 with the assumption that the other variables are constant.

F Statistical Test

Based on the calculations presented in Table 4.7 above, it is known that this research model has an F-Count value of 22.22247, which is a value greater than the F-Table, namely 2.2939 with a probability value of 0.0000, which is a value lower than 0.05. It can be interpreted that the Capital Adequacy Ratio (CAR), Operating Expenses to Operating Income (BOPO), Non-Performing Loans (NPL), Total Assets and also Human Capital (HC) are simultaneously significant explanations of Performance (ROA).

Coefficient of Determination Test (R-Squared)

Based on the calculations presented in Table 4.7 above, it is known that the value of the coefficient of determination in this research is 0.5025 or 50.25%. This indicates that performance (ROA) can be explained by the Capital Adequacy Ratio (CAR), Operating Expenses to Operating Income (BOPO), Non-Performing Loans (NPL), Total Assets and also Human Capital (HC) of 50.25% and whereas The remaining 49.75% is explained by other variables not included in this research model.

Difference Test Results (Wilcoxon)

The Wilcoxon difference test was used to carry out tests with the aim of comparing pairwise means. The hypothesis formulation for this test is:

1) H0: $\mu 1 = \mu 2$ = there is no significant difference in performance (ROA) during the pandemic and after the Covid-19 pandemic
2) H1: $\mu 1 \neq \mu 2$ = there is a significant difference in performance (ROA) during the pandemic and after the Covid-19 pandemic

Decision criteria:
If Sig. <0.05 then H0 is rejected and H1 is accepted. If Sig.>0.05 then H0 is accepted and H1 is rejected

Table 2. Wilcoxon Difference Test Results

Method	Value	Probability
Wilcoxon/Mann-Whitney	0.970998	0.3315

Secondary Data, 2024

Based on the test results presented above, it is known that the probability value is 0.3315, which is greater than 0.05. This means that H0 is accepted or there is no significant difference in banking performance (ROA) during the pandemic and after the Covid-19 pandemic.

CONCLUSION

Adequate minimum capital adequacy (CAR) can improve performance (ROA) by minimizing the use of funds outside the budget which can cause changes in the company's capital and profits. The company's ability to create company efficiency can influence performance (ROA). A high BOPO indicates the company's inefficiency in managing costs which causes performance to decline. Increasing non-performing loans (NPL) can reduce performance (ROA) because in banking companies, loans are one source of company income. On the other hand, increasing NPLs have the potential to change the company's capital structure and performance. Total assets is an indicator for assessing company size which can influence performance (ROA). Increasing total assets can improve performance. Human capital as a non-financial element contributes to achieving banking company performance (ROA). High human capital shows the level of employee welfare which can stimulate work enthusiasm and ultimately increase company revenue (ROA). There is no difference in ROA during the Covid-19 pandemic and after the Covid-19 pandemic.

Recommendation in this research for future researchers is to consider the use of the financial sector, or other sectors that are directly affected by the pandemic. Future researchers can also consider the use of other intellectual capital, such as relational capital and structural capital in assessing company performance. Not only that, but future researchers can also consider using a longer observation year starting from the year before, during and after the pandemic to get an idea of changes in company performance at that time. For banks, the author can recommend considering increasing the minimum amount of capital that must be formed by companies in anticipation of similar events, being more selective in granting credit approvals to minimize the occurrence of NPL explosions, optimizing operational costs such as emphasizing unnecessary costs, carrying out optimal management. towards assets, as well as considering the level of employee welfare, because without employees the company's goals cannot be achieved.

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