

The Effect of BPR Composite Value of Governance Self Assessment on BPR Performance (Case Study of BPR in Bekasi Regency and City)

Riwandari Juniasti¹

¹ Universitas Kristen Indonesia, Jakarta, Indonesia

Corresponding Author: Riwandari Juniasti, E-mail: riwandari.juniasti@uki.ac.id

Article Info

Article history:

Received 24/02/2023

Revised 03/03/2023

Accepted 07/03/2023

Keyword:

BPR; Composite Value; BPR Performance Ratio; Self Assessment; BPR Governance

ABSTRACT

The purpose of this research is to analyze and determine the effect of the composite value of governance self-assessment on BPR performance in the Bekasi Regency and City. The research method utilizes a quantitative approach with a causal design. The study used one independent variable, namely the composite value and five dependent variables, namely (NPL, ROA, BOPO, LDR, Cash Ratio). This type of data collection used secondary data from the Bekasi Regency and City BPR in the period from 2018 to 2020. The data analysis method used simple regression analysis with the help of the EvIEWS 10 program. The results in this study state that 1) composite values had no effect on NPL, 2) the composite value had no effect on ROA, 3) the composite value had no effect on the BOPO, 4) the composite value had no effect on LDR, 5) the composite value had no effect on the Cash Ratio.



©2023 Authors. Published by PT. Great Performance Consulting. This work is licensed under a Creative Commons Attribution-NonCommercial 4.0 International License. (<https://creativecommons.org/licenses/by-nc/4.0>)

INTRODUCTION

The current rapid development of the banking industry has an impact on increasingly complex bank business activities, which will have an impact on increasing bank risk exposure. The implementation of good corporate governance has now become a necessity as well as a demand in every Rural Bank which is an intermediary institution. Banks are described as highly regulated organizations or organizations that are bound by so many rules that banks must comply with every rule.

The Financial Services Authority on March 31, 2015, stipulated regulation number 4/POJK.03/2015 concerning the Implementation of Governance for Rural Banks, which was promulgated on April 1, 2015, by the Minister of Law and Human Rights of the Republic of Indonesia. Provisions regarding the application of governance for rural banks are thus effective from 1 April 2015. Good corporate governance in the banking sector will become more important now and in the future because the risks and challenges faced by the banking sector will increase. In the context of improving banking services, protecting the interests of stakeholders, and increasing compliance, compliance with laws and regulations, and ethical values (code of conduct) that apply in the banking sector, banks should carry out business activities based on the principles of good corporate governance.

In an effort to increase and improve the quality of GCG implementation, banks are required to periodically conduct a comprehensive self-evaluation of the adequacy of GCG implementation, so that if there are still deficiencies in the implementation of the bank, it can immediately determine an action plan that includes the necessary corrective actions. Assessment of GCG implementation from

self-evaluation provides 11 assessment factors. The eleven assessments must show a self-evaluation analysis, namely a self-assessment by the bank based on the results of the completion of predetermined self-evaluation working papers. Based on the self-assessment results, banks can determine the composite value of the total weighted results of each of the 11 assessment factors. The composite value then produces an assessment of GCG practices in a bank based on a predetermined composite predicate.

The effect of GCG self-assessment proxied as a composite value on bank performance, among others, was carried out by Widiamsa (2016) who found that the composite value had a negative effect on NPL, the composite value had no effect on LDR in commercial banks. The composite value has a positive effect on ROA and NIM. Meanwhile, research by Ekaningsih and Afkarina (2021) shows that GCG has an influence on financial performance. It is evident from the acquisition of the composite mean value of Islamic banking having a "Good" rating. Research by Riady and Rakhman (2017) found that the GCG composite value has a positive and significant effect on the return on assets in Indonesian banking. Furthermore, research by Permatasary and Novitasary (2013) found that the implementation of GCG proxied by the composite value did not have a significant effect on the performance of commercial banks. On the contrary, research by Nizamullah et al (2014) found the application of GCG by measuring the composite value of PBI No. 8/4/PBI/2006 has a significant and negative impact on the financial performance of national banking companies going public in Indonesia Stock Exchange as measured by Return on Assets (ROA).

The results of the research above still show inconclusive results, where some researchers find the implementation of GCG measured by composite values has an effect on bank performance, but on the other hand, some researchers find composite values have no effect on bank performance, thus giving birth to gap research, on this basis researchers interested in testing the effect of self-assessment of GCG which is proxied as a composite value on bank performance, which is focused on BPR in the Regency and City of Bekasi, because there is still very little research on the impact of self-assessment of GCG on BPR performance.

LITERATURE REVIEW

Good Corporate Governance (GCG)

Corporate governance refers to systems of practices, policies, and procedures that govern business conduct. Systems and procedures provide guidelines for making organizations more accountable and ethical in making decisions within the organization. This states that leadership goes beyond rules and procedures and pays attention to organizational ethics (Carroll, 2016). Good corporate governance is defined by the World Bank as rules, norms, and institutions in the economic sector that control how business owners, directors, and managers behave as well as specifics and explanations of their obligations to shareholders and lenders (Kikeri, 2016).

BPR Performance

Financial performance is basically the acquisition of company results by more efficiently and effectively managing the resources available in the company in order to achieve the goals set by management. In addition, the effectiveness of banking activities means the achievement of bank achievements through more efficient and effective management of resources to achieve the goals set by management. Evaluation of the effectiveness of banking activities is very important, considering that banking activities are very sensitive to the progress and setbacks of the country's economy (Rojali, 2021). Assessment of banking performance can be done through a financial ratio analysis approach, including ROA, BOPO NPL, LDR, Cash Ratio.

Non Performing Loan (NPL)

The non-performing loan (NPL) ratio measures how many loans are non-performing. NPL is also described as the ratio used to assess a bank's capacity to absorb risks associated with debtor default (Rohimah, 2021). This ratio gauges how well bank management is able to handle non-performing loans given out by banks. So, when non-performing loans increase in quantity, the quality of bank loans declines, increasing the likelihood that the bank would suffer issues.

Non-Performing Loan (NPL) is a measure that is part of the earning asset quality ratio. NPL is the ratio used to measure a bank's ability to manage its NPL. The higher the NPL value, the quality of bank loans will increase. This resulted in an increase in problem loans which contributed to the poor health of the bank (Sudarmawanti & Pramono, 2017). The NPL ratio describes the level of problem loans in a bank. The high level of non-performing loans at banks, this condition can reduce bank interest income (Nugrahaning & Wahyudi, 2016).

Profitability (ROA)

One possible indicator to find out how efficient and effective the Bank's achievements are is the consideration of company profitability, the higher the profitability, the more efficient and effective management of company activities (Kasmir, 2015: 56). Return on assets (ROA) focuses on the company's ability to generate profits from the company's operations. The importance of ROA for banks is because ROA is used as a measure of a company's efficiency in obtaining profits from its assets (Dewi, 2018). The ROA ratio is useful in determining a company's ability to benefit from various policies and decisions that have been made. This ratio is used to measure a company's profitability by dividing net income by the average total assets. Average total assets, obtained from total assets at the beginning of the year plus total assets at the end of the year, then divided by two. You can also calculate ROA by multiplying net profit margin by asset turnover (net sales divided by average total assets). ROA is calculated to see the extent to which the investment is able to provide the expected return (Kasmir, 2018: 8).

Loan to Deposit Ratio (LDR)

In addition to utilizing profitability ratios, banks also utilize liquidity ratios in measuring the effectiveness of banking operations. The liquidity ratio that is often used is the loan-to-deposit ratio (LDR). LDR is a ratio that measures a bank's ability to pay short-term obligations (liquidity) by dividing the total loan amount by the total third-party assets (Septiani & Lestari, 2016). If the bank can distribute loans efficiently, the LDR will increase, which means that the total number of loans that have been repaid is greater than the increase in the number of third-party funds, so bank profits will increase which means ROA will increase (Suciaty, Hamming, & Nur, 2019). In assessing liquidity risk, the loan-to-deposit ratio (LDR) is used. LDR is a useful ratio in determining the composition of the loan amount in relation to all funds received from the community and equity (Andrianto et al., 2019).

Operating Costs to Operating Income (BOPO)

BOPO (Operating Costs to Operating Income) is the ratio that characterizes the effectiveness of a bank in carrying out its activities. Operating expenses are interest expenses paid to customers while operating interest income is received from customers (Kasmir, 2015: 56). Banks apply operational efficiency to find out whether the bank is performing well in its activities related to the bank's core business (according to the expectations of management and shareholders), and is used to show whether the bank has utilized all of its production factors effectively.

Framework

Based on the literature review, the research model can be developed as follows:

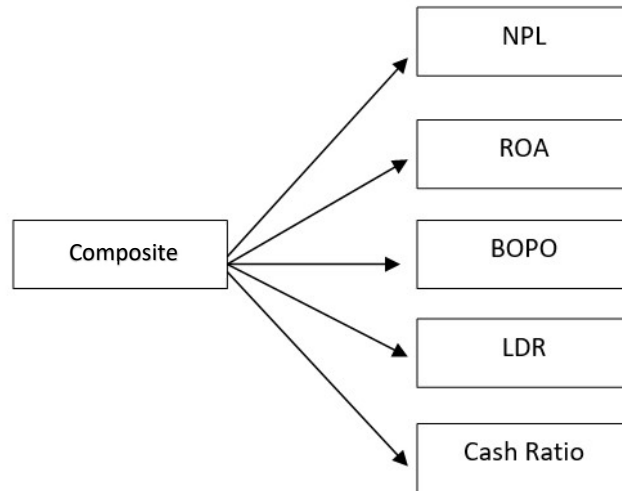


Figure 1. Framework
Source: Researcher

With this in mind, the research hypothesis was proposed, namely:

- H1: Composite Value has an effect on NPL
- H2: Composite Value has an effect on ROA
- H3: Composite Value has an effect on BOPO
- H4: Composite Value has an effect on LDR
- H5: Composite Value affects the Cash Ratio

RESEARCH METHODS

The method in this research belongs to the associative type. The research utilizes one independent variable, namely the composite value, and five of the dependent variables (NPL, ROA, BOPO, LDR, and Cash Ratio). This type of data collection uses secondary data from the Bekasi Regency and City BPRs for the period 2018 to 2020. This research utilizes a simple regression analysis method with the help of the Eviews 10 program.

RESULTS AND DISCUSSION

Descriptive statistics

Descriptive statistical analysis in research aims to provide an overview and value of data or each research variable observed through the average (mean) distribution of each data (minimum, maximum, and standard deviation). The results of the descriptive statistical test can be explained as follows:

Tabel 1. Descriptive Statistical Test Results

	COMPOSITE	NPL	ROA	BOPO	LDR	CASHRATIO
Mean	1.959792	10.44292	3.416458	94.17219	77.33135	27.55281
Median	1.960000	7.815000	3.440000	87.89500	78.71000	19.00000
Maximum	3.770000	46.91000	25.18000	213.1400	160.8900	149.8700
Minimum	0.940000	0.050000	-7.960000	55.24000	43.99000	2.530000
Observations	96	96	96	96	96	96

Source: Results of Data Processing with Eviews 10 (2023)

Table 1 shows the results of the descriptive statistical test, information obtained that:

- Composite Variable Statistical Test Results
Based on the data processing that has been done on the Composite variable (X) it obtains a mean value of 1.959, a maximum value of 3.77, and a minimum value of 0.940. The results explain

that on average the implementation of self-assessment of corporate governance has been good in BPRs in the Regency and City of Bekasi, because it has an average of 1.959.

2. NPL Variable Statistical Test Results

Based on the data processing that has been done on the NPL variable (Y1) it obtains a mean value of 10.44, a maximum value of 46.91 and a minimum value of 0.050. The results show that the average NPL level in BPRs in the Bekasi Regency and City areas is quite high.

3. ROA Variable Statistical Test Results

Based on the data processing that has been done on the ROA variable (Y2) it obtains a mean value of 3.41, a maximum value of 25.18 and a minimum value of -7.96. The results explain that on average the ability of BPRs to generate returns on assets used is not optimal, because they have an ROA of <5% or below the risk-free interest rate.

4. BOPO Variable Statistical Test Results

Based on the data processing that has been done on the BOPO variable (Y3), it obtains a mean value of 94.71, a maximum value of 213.14 and a minimum value of 55.240. The results show that the average operational cost of BPRs in the Bekasi Regency and City areas is quite high.

5. Results of the LDR Variable Statistical Test

Based on the data processing that has been done on the LDR variable (Y4) it obtains a mean value of 77.33, a maximum value of 160,890 and a minimum value of 43.990. The results explain that the average level of BPR lending in the Bekasi Regency and City areas is not yet optimal.

6. CASHRATIO Variable Statistical Test Results

Based on the data processing that has been done on the variable CASHRATIO (Y5) it obtains a mean value of 27.55, a maximum value of 149.87 and a minimum value of 2.530. The results explain that on an average cost basis the cash ratio of BPRs in the Bekasi Regency and City areas is quite good.

Linear Regression Test

Data analysis in the study was carried out by simple linear regression analysis using the Autocorrelation Consistent (HAC) or NeweyWest method. This method was chosen because in the OLS regression test there was a violation of the classical assumptions on autocorrelation, heteroscedasticity, and normality. To anticipate that the results of the regression coefficients are not biased, regression testing is carried out using the HAC method. The results of the regression test with the HAC method are presented in table 2 below.

Table 2. Simple Linear Regression Test Results

	Coefficient	Std. Error	t-Statistic	Prob.
Model 1 → NPL	1.733131	1.752393	0.989009	0.3252
Model 2 → ROA	1.234992	1.239114	0.996673	0.3215
Model 3 → BOPO	10.53168	6.374887	1.652057	0.1019
Model 4 → LDR	0.557359	4.546416	0.122593	0.9027
Model 5 → CASHRATIO	-0.738804	3.885619	-0.190138	0.8496

Source: Results of Data Processing with Eviews 10 (2023)

Based on the results of the regression output of model 1, model 2, model 3, model 4, and model 5 which have been carried out in the research, a regression equation model can be made as follows.

$$\begin{aligned}
 \text{NPL} &= 7.046341 + 1.733131 \text{ COMPOSITE} + \varepsilon \\
 \text{ROA} &= 0.996131 + 1.234992 \text{ COMPOSITE} + \varepsilon \\
 \text{BOPO} &= 73.53230 + 10.53168 \text{ COMPOSITE} + \varepsilon \\
 \text{LDR} &= 76.23905 + 0.557359 \text{ COMPOSITE} + \varepsilon \\
 \text{CASHRATIO} &= 29.00072 - 0.738804 \text{ COMPOSITE} + \varepsilon
 \end{aligned}$$

Hypothesis testing

A decision to accept or reject a hypothesis in a research is made during the hypothesis testing method. The partial hypothesis test (t-test) and the coefficient of determination (R^2) are used to test the research hypothesis.

T-test (Partial Hypothesis Testing)

The t-statistical test is helpful in determining how each independent variable affects the dependent variable's variation (Ghozali, 2013). The significance of the p-value serves as the basis for the criterion for accepting and rejecting the hypothesis.

- The study hypothesis was disproved when the p-value (significance) was greater than 0.05
- The study hypothesis was approved when the p-value (significance) was less than 0.05

The hypothesis with the t-test obtained in the study is presented in the table below:

Table 3. Partial Hypothesis Test Results (t test)

	Coefficient (β)	t- Statistik	P- Value	Conclusion
Model 1				
Composite → NPL	1.733131	0.989009	0.3252	H1 Rejected
Model 2				
Composite → ROA	1.234992	0.996673	0.3215	H2 Rejected
Model 3				
Composite → BOPO	10.53168	1.652057	0.1019	H3 Rejected
Model 4				
Composite → LDR	0.557359	0.122593	0.9027	H4 Rejected
Model 5				
Composite → CASHRATIO	-0.738804	-0.190138	0.8496	H5 Rejected

Source: Results of Data Processing with Eviews 10 (2023)

Referring to the results of partial hypothesis testing (t-test) in Table 5, it can be concluded:

1. Composite Effect on NPL
Based on Table 3, a beta coefficient value of 1.733 is obtained with a positive relationship direction, and a p-value of $0.325 > 0.05$, meaning that the first hypothesis is rejected. So it can be concluded that the composite has no effect on NPL.
2. Composite Influence on ROA
Based on Table 3, a beta coefficient value of 1.23 is obtained with a positive relationship direction, and a p-value of $0.321 > 0.05$, meaning that the second hypothesis is rejected. So it is concluded that composite has no effect on ROA.
3. Effect of Composites on BOPO
Based on Table 3, a beta coefficient value of 10.531 is obtained with a positive relationship direction, and a p-value of $0.101 > 0.05$, meaning that the third hypothesis is rejected. So it is concluded that composite has no effect on BOPO.
4. Composite Effect on LDR
Based on Table 3, a beta coefficient value of 0.557 is obtained with a positive relationship direction, and a p-value of $0.902 > 0.05$, meaning that the fourth hypothesis is rejected. So it is concluded that composite has no effect on LDR.
5. Composite Effect on Cash Ratio
Based on Table 3, a beta coefficient value of -0.738 is obtained with a negative relationship direction, and a p-value of $0.849 > 0.05$, meaning that the fifth hypothesis is rejected. So it is concluded that the composite has no effect on the Cash Ratio.

Discussion of Research Results

The results of testing the hypothesis prove that the composite value does not have a significant effect on BPR performance as a proxy for ROA, NPL, LDR, BOPO, and Cash Ratio. In line with Widiamsa (2016) in his research which found composite values did not affect the performance of commercial banks proxied by PDN and LDR.

The results obtained also support the research of Permatasary and Novitasary (2013) which found that the implementation of GCG proxied using composite values did not have a significant effect on the performance of commercial banks. On the other hand, the research by Nizamullah et al. (2014) showed a significant effect in the direction of a negative relationship from the implementation of GCG with the composite value of PBI No. 8/4/PBI/2006 on the financial performance listed on the IDX measured return on assets (ROA).

The ineffectiveness of the role of self-assessment of GCG as a proxy for the composite value indicates that the assessment of GCG implementation by BPRs through self-assessments provided by BPR management is still subjective. Thus, the composite value assessment system that has been implemented so far needs to be improved so that the composite value can reflect the actual conditions of GCG implementation in BPRs. This can be done, among others, by combining a self-assessment system with a direct observation system from related parties, in this case, the OJK. In addition, secondary data support such as financial performance and bank soundness level is also needed to validate the assessment results with a self-assessment system.

CONCLUSIONS AND SUGGESTIONS

Based on the results obtained in this study, the following conclusions are obtained the composite value has no effect on non-performing loans (NPL). Then the composite value was also found to have no impact on profitability (ROA). Subsequent results in the study found that the composite value had no effect on Operational Costs and Operating Income (BOPO). The composite value has no effect on the Loan To Deposit Ratio (LDR) and finally, it was found that the composite value has no effect on the Cash Ratio.

The results of the study show that the implementation of the GCG self-assessment method has not been effective in improving BPR performance. This reflects that the composite score does not guarantee that the BPR has carried out GCG properly and correctly. Therefore, it is suggested to the OJK evaluate the GCG self-assessment system which purely relies only on primary data by conducting self-assessments, but it is better if the GCG assessment is also carried out using the direct observation method by related parties, especially the OJK, and using secondary data such as performance BPR or BPR soundness level as supporting data so that the composite value results can be more real in describing GCG implementation by BPR. Thus, it is hoped that in the future there will be harmony between the composite value and BPR performance. It is suggested that further researchers broaden the research sample, by involving BPRs in other Jabodetabek areas such as Jakarta, Bogor, and Tangerang, so that the test results are more generalizable.

REFERENCES

- Andrianto, A., Fatihuddin, D., & Firmansyah, M. A. (2019). *Manajemen Bank*. Surabaya: Qiara Media Pustaka.
- Carroll, C. E. (2016). *The SAGE Encyclopedia of Corporate Reputation*. Sage Publication inc.
- Dewi, A. S. (2018). Pengaruh CAR, BOPO, NPL, NIM, dan LDR terhadap ROA pada Perusahaan di Sektor Perbankan yang Terdaftar di BEI Periode 2012-2016. *Jurnal Pundi*, 1(3), 223–236.
- Ekaningsih, L. A. F. & Afkarina, F. I. (2021). Good Corporate Governance Pengaruhnya Pada Kinerja Keuangan Perbankan Syariah di Indonesia. *Jurnal Akuntansi Terapan dan Bisnis*, 1(1), 83–94.
- Ghozali, I. (2013). *Aplikasi Analisis Multivariate dengan Program IBM SPSS 21 Update PLS Regresi*. Semarang: Badan Penerbit Universitas Diponegoro.
- Kasmir. (2015). *Analisis Laporan Keuangan*. PT. Raja Grafindo Persada.
- Kasmir. (2018). *Dasar-Dasar Perbankan (Edisi Rev.)*. PT. Rajagrafindo Persada.

- Kikeri, S. (2016). Financialsector/brief/corporate-governance. Retrieved Juni 01, 2021, from The World Bank: <https://www.worldbank.org/>
- Nizamullah, D., & Abdullah, S. (2014). Pengaruh Penerapan Good Corporate Governance Terhadap Kinerja Keuangan (Studi Empiris Pada Perusahaan Perbankan yang Terdaftar di Bursa Efek Indonesia 2010-2012). *Jurnal Akuntansi*, 3(2), 45-53.
- Permatasari, I. & Novitasary, R. (2013). Pengaruh Implementasi Good Corporate Governance terhadap Permodalan dan Kinerja Perbankan di Indonesia: Manajemen Risiko Sebagai Variabel Intervening. *Jurnal Ekonomi Kuantitatif Terapan*, 7(1), 52-59.
- Riady, F. & Rakhman, A. (2017). Pengaruh Nilai Komposit Good Corporate Governance Dan Non Performing Loan Terhadap Return On Asset Perbankan Indonesia. *Resume*, Institut Bisnis dan Informatika Kwik Kian Gie.
- Rohimah, E. (2021). Analisis Pengaruh BOPO, CAR, dan NPL Terhadap ROA Pada Bank BUMN Tahun 2012-2019 (Studi pada Bank BUMN yang Go Public di Bursa Efek Indonesia). *JIMA Jurnal Ilmiah Mahasiswa Akuntansi*, 1(2), 133-145.
- Rojali, A. (2021). Analisis pengaruh penerapan Good Corporate Governance terhadap kinerja Perbankan Syariah di Kota Medan. *Jurnal Insitusi Politeknik Ganesha Medan*, 4(1), 276-284.
- Septiani, R. & Putu, V. L. (2016). Pengaruh NPL dan LDR terhadap Profitabilitas dengan CAR sebagai variabel Mediasi pada PT BPR Pasarraya Kuta. *E-Journal Manajemen Unud*, 5(1), 293-324.
- Suciaty, A., Haming, M., & Nur, A. (2019). Pengaruh CAR, BOPO, NPL dan LDR Terhadap ROA Pada Bank Konvensional di Indonesia. *E-Journal Administrasi Bisnis*, 5(4), 1229–1240.
- Sudarmawanti, E. & Pramono, J.. (2017). Pengaruh CAR, NPL, BOPO, NIM dan LDR Terhadap ROA (Studi kasus pada Bank Perkreditan Rakyat di Salatiga yang terdaftar di Otoritas Jasa Keuangan Tahun 2011-2015). *Among Makarti*, 10(19), 1-18.
- Widiamsa, A. W. (2016). Analisis Pengaruh Good Corporate Governance (GCG) Terhadap Profil Risiko Dan Rentabilitas Bank Umum Di Indonesia Tahun 2011-2015. *Arthavidya Jurnal Ilmiah Ekonomi*, 19(1).