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Determinant of Profit Growth Regional Development Bank

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Abstract: ***This research aims to analyzes the effect of Capital Adequacy Ratio (CAR), Non Performing Loan (NPL), Loan Deposit Ratio (LDR), Return on Equity (ROE), and Net Interest Margin (NIM) to profit growth of regional development bank in Indonesia. Data used in this research are secondary data that is Annual Report of regional development bank in Indonesia at 2012 – 2016. The populations in this research are the regional development bank in Indonesia at 2012 – 2016 periods. Sampling method is purposive sampling. The model of analysis used in this research is multiple linier regressions. Results of this research show that Non Performing Loan (NPL) and Loan Deposit Ratio (LDR) have positively effect but not significant to profit growth of regional development bank in Indonesia. Net Interest Margin (NIM) have negatively effect but not significant o profit growth of regional development bank in Indonesia. Return on Equity (ROE) and Capital Adequacy Ratio (CAR) have positively and significant effect to profit growth of regional development bank in Indonesia.***

Keywords: Capital Adequacy Ratio (CAR), Non Performing Loan (NPL), Loan Deposit Ratio (LDR), Return on Equity (ROE), dan Net Interest Margin (NIM) to profit growth.

1. Introduction

Banking has a strategic role in harmonizing and balancing elements of equity development, economic growth and national stability. The strategic role is primarily due to the bank's main function as a vehicle that can collect and channel public funds effectively and efficiently, with the argument that economic democracy supports the implementation of national development in order to improve the distribution of development and its outcomes, economic growth and national stability towards an increasing level life of the crowd (Sinungan, 2009).

Regional Development Bank (BPD) as one of the existing banks in the national banking system has a significant role and function in the context of regional economic development because BPD is able to open service network in areas where economically impossible to be done by private banks. Law no. l3 Year 1962 concerning the principles of the Provincial Development Bank Regulation states that BPD works as regional economic development and drives regional economic development to improve the living standard of the community and provides finance for regional development, raising funds and implementing and storing the local treasury region) in addition to running banking business activities (Sunarsip, 2011).

The strategic role of the institution in achieving the goals of national development, based on banking institutions in Indonesia to function efficiently, healthy, reasonable and able to face increasingly global competition, able to protect the funds kept by the community, and able to channel public funds into areas productive for the achievement of development goals.

Bank is an institution that acts as a financial intermediary between parties who have the funds (surplus units) with the parties that require funds (unit deficit) and as an institution that serves to smooth the flow of payment traffic (Dendawijaya, 2009) . The Bank also has a role as the implementation of monetary policy and the achievement of financial system stability, so it needs a healthy banking, transparent and accountable.

The fundamental objective of the banking business is to obtain optimal benefits by providing financial services to the public. For the shareholders to invest in the bank aims to earn income in the form of dividends or gain from the increase in stock prices owned (Mudrajad and Suhardjono, 2011). It is important for banks to maintain good performance, especially in maintaining high levels of profitability, able to distribute dividends well, business prospects are always growing, and can meet the requirements of prudential banking regulation well (Mudrajad and Suhardjono, 2011). If the bank can maintain its performance well then it can increase the value of shares in the secondary market and increase the amount of funds from third parties. The increase in the value of shares and the amount of funds from third parties is one indicator of increased public trust to the bank concerned (Hanafi and Halim, 2014).

An important corporate performance assessment is performed by management, shareholders, government, and other interested parties related to the distribution of welfare among them, including banks. Assessment of the performance of a bank can be done by using financial statement analysis. As a company or economic entity, the bank provides financial statements to show the information and financial position presented to the parties concerned.

Accounting information such as those listed in financial reporting can be used by current and potential investors in predicting cash receipts from future dividends and interest. The dividend to be received by the investor depends on the amount of profit earned by the company in the future. Therefore, the prediction of changes in corporate profits by using financial statement information becomes very important to be implemented (Harahap, 2010)

For investors, in assessing the performance of a bank does not see bank earnings in one period only, but see the change in profit from year to year. Profits are used as a basis for investment decision making, and predictions to forecast future earnings changes. Investors expect the funds invested into the company will get a high rate of return so that the profits will be high too. Profits earned by the company for the coming year can not be ascertained, so there needs to be a prediction of earnings change. Changes in profits will affect investment decisions of investors and potential investors who will invest their capital into the company (Hanafi and Halim, 2014).

Strategic steps that can be done is to improve the performance of the bank. A good performance of a bank is expected to regain public confidence in the bank itself or the banking system as a whole. On the other hand bank performance can also be used as a benchmark of the bank's health. Intuitively it can be said that a healthy bank will get support and trust from the community and able to generate optimal profit (Kasmir, 2012).

According to Mudrajad and Suhardjono (2011), to assess the performance of banking companies are generally used five aspects of the assessment of CAMEL (Capital, Assets, Management, Earning, Liquidity). Four of the five aspects are Capital, Assets, Earning, Liquidity assessed by using financial ratios. This shows that financial ratios are useful in assessing the company's financial condition. Financial ratios are also useful in predicting corporate profits and the strength of prediction of financial ratios in predicting earnings can also be used to assess the performance (performance) of the company in the future.

On January 2012, all Commercial Banks in Indonesia must use the latest Bank Rating Guidelines based on Bank Indonesia Regulation No.13 / 1 / PBI / 2011 concerning Rating of Commercial Banks, which requires Commercial Banks. The latest procedure, referred to as RGEC Method, is an abbreviation of Risk Profile, Good Corporate Governance, Earning, and Capital. The Bank's individual Bank Rating includes an assessment of the following factors: Risk Profile, GCG, Profitability, and Capital referring to Circular Letter (SE) of Bank Indonesia No.13 / 24 / DPNP dated October 25, 2011 on the Rating of Commercial Banks . According to Budiarti (2012), said that the actual health assessment system between CAMEL is not much different from RGEC. Some parts still look the same as the use of capital and profitability assessment system. The management appraisal system is changed to Good Corporate Governance. As for the component of asset quality and liquidity are made into one component of risk profile.

The financial performance of a company can be measured by conducting an analysis of the company's financial statements. The analysis of the state of the company using the financial statements can be done through financial ratio analysis. Financial statement analysis through the analysis of financial ratios include calculation and interpretation of financial ratios. With these financial ratios will be evident various financial indicators that can reveal the position, financial condition and performance that has been achieved for a certain period (Cashmere, 2012). Financial ratios provide an appropriate and useful way of expressing relationships between numbers. Managers, investors, creditors and financial analysts use the relevant ratios for particular decision-making. Many companies include ratios in the special section of their financial statements.

The ratio in the financial statements is a number indicating the relationship between an element with other elements in the financial statements. The relation of the elements is expressed in mathematical form between one number with another amount or comparison between one heading with another. Thus, the ratio is the number obtained from the company's financial statements and is linked together as a percentage or function, so that in the end it is seen that this ratio is related to input and output measurement (Cashmere, 2012).

Financial ratios are very important for external analysis that assesses a company based on the published financial statements. This assessment includes liquidity, solvency, profitability, management efficiency and future business prospects. Financial ratio analysis is also useful for internal analysis to assist management in making evaluations of company operating results, correcting mistakes and avoiding circumstances that may cause financial hardship. According to Munawir (2010), a ratio would be more valuable when compared to a standard. Therefore, usually the ratio is compared to the ratio of other companies or similar overall industry as well as certain standards. With the comparison, companies can evaluate the company's situation and performance.

Liquidity is the ability of a company to pay off current debts using the company's current assets (Munawir, 2010). The main concern of financial analysts generally involves the company's liquidity. The question "whether the company is able to meet short-term financial obligations?" Is a critical question in this regard. The liquidity ratio will determine or illustrate whether a company is liquid or not. This means that if short-term financial obligations mature, can the company overcome it. In banking liquidity management is one of the important things in maintaining public confidence in the bank. For that every bank that operates very maintain its liquidity in an ideal position. In liquidity management banks seek to maintain liquidity ratio status, minimize idle funds to increase income with the lowest possible risk, and meet their cash flow requirements.

Loan Deposit Ratio as a proxy of bank liquidity is the ratio used to measure the composition of the loan amount given compared to the amount of public funds and own capital used. The higher the LDR ratio the higher the probability of a bank going bankrupt. This gives an indication of the lower bank liquidity capability in question. This is because the amount of funds needed to finance the credit becomes larger (Husnan, 2015).

Solvability describes a company's ability to meet its financial obligations at maturity. Solvency analysis is focused primarily on reactions in the balance sheet that show the ability to pay off current debt and non-current debt. Companies that are not solvabel are companies whose total debt is greater than the total assets (Mulyadi, 2010). The company's operating capability is reflected from the assets owned by the company. Solvency is measured by a Capital Adequacy Ratio (CAR) that describes the magnitude of risk that will occur in crediting and risk in securities trading, which is secured by the amount of equity less fixed assets. Capital Adequacy Ratio (CAR) can indicate the health of a bank. In relation to the ability of the company to generate profits, CAR provides a substantial contribution to profitability, this is because if the high CAR value then the bank is able to finance operational activities.

Sapariyah's research (2012) analyzed the effect of Capital, Assets, Earning, and Liqudity on profit growth in banking in Indonesia. The sample used is all banks go public in BEI period 2007 - 2008. The results showed CAR and NPL have a positive effect on profit growth, while BOPO has a negative effect on profit growth and LDR has no effect on profit growth. Ariyanti's research (2010) analyzed the effect of CAR, NIM, LDR, NPL, BOPO, ROA, and the quality of productive assets to changes in earnings at commercial banks in Indonesia. The research sample consisted of 79 banks registered at Bank Indonesia period 2004-2008. The results showed that only LDR was able to predict changes in bank earnings.

Zakaria (2015) conducted a study aimed at providing evidence of the effect of stock ownership concentration, loan to deposit ratio and non-performing loan on Return on Equity in the banking sector in Indonesia Stock Exchange. The result of the research shows that the ownership concentration has negative but not significant effect on retun on equity, Loan to deposit ratio has significant positive effect on return on retun on equity, non-performing loan has significant negative effect to return on equity. The result of Hamidu (2013) research shows that net profit margin and total asset turnover have an effect on profit growth. While the results of research Violeta (2010) shows that CAR, ROA, ROE, BOPO, and LDR have a significant effect on bank profit growth.

In research Ariyanti (2010) shows the results that LDR has a significant influence on bank profit growth. While CAR, NIM (Net Interest Margin), KAP (Earning Asset Quality), BOPO and ROA do not give significant influence to bank profit growth. Meanwhile, the results of research by Widyastuti and Anto (2010) show that the volume of financing has no effect on the profit growth of sharia banks in Indonesia. While the third party funds and operational costs affect the profit growth of sharia banks.

Pracoyo and Putriyanti (2016) conducted a study aimed at analyzing the effect of Risk Based Bank Rating (RBBR) to the growth rate of the banking industry which is categorized as Commercial Bank of Business Activity (BUKU) 4 in the period 2011 to 2013. The result of this research shows that Non Performing Loans have a negative and significant effect on profit growth. Loan to Deposit Ratio, Good Corporate Goverance, Net Interest Margin, Capital Adequacy Ratio has a positive but not significant effect on profit growth.
Kouser's research et. al. (2012) states that profitability has a strong positive relationship with company growth. But the size of the company has a non-significant and negative impact on profitability. Jabeen and Shah's research findings (2013) show that initial profit has a significant positive impact on profit growth. While firm size, firm age, and leverage have no significant impact on the company's profit growth. Compared to firms that focus on growth, profit-focused companies are more likely to achieve high growth and high profits.

This research is a development from previous research which shows that profit growth is influenced by several factors. The independent variables used in this research are Capital Adequacy Ratio / CAR, Non Performing Loan / NPL, Loan Deposit Ratio / LDR, Return on Equity / ROE, and Net Interest Margin / NIM. The object of this study using the Regional Development Bank. This is based on the idea that BPD has a relationship that can not be separated from the regional economy, where the BPD stands. Hence, it is not surprising if BPD is always attached to the name of the region origin BPD established. In addition to running the activities of commercial banks, BPD also serves as a cashier Pemda, such as funds realized APBD. Thus, BPD has different characteristics from other bank groups (BUMN, private, foreign and mixed) that most of DPK is government-owned fund, especially Pemda (Sunarsip, 2011). The establishment of BPD is to encourage development in the regions. BPD is directed to support infrastructure development, MSMEs, agriculture, and other economic activities within the framework of regional development. Initially, this role has been run well by BPD. However, in its development, the role began to shake. This phenomenon can be seen from the structure of funding (third party funds / DPK) and financing owned by BPD. Different from banking in general, the focus of DPK BPD is giro. Although demand deposits are the cheapest funds, but it should be underlined that giro is also the most unstable / volatile. The portion of savings and deposits in BPD is still relatively small, making it quite difficult for BPD to become a bank that can finance long-term credit / investment (Endri, 2009).

Based on the above description, has done a lot of research on the analysis of bank profit growth. However, many of the

above studies use conventional banks as research objects, so there is still the possibility to conduct research on the factors that affect the profit growth in the Regional Development Bank.

2. Literature Review

2.1 Agency Theory

In agency theory theory there are two parties that interact with each other. These parties are the owners of the company (shareholders) and the management of the company. The shareholder is referred to as the principal, while the management of the person who is authorized by the shareholder to run the company called the agent. Companies separating management and ownership functions will be susceptible to agency conflicts because each party has conflicting interests, ie, trying to achieve its own prosperity (Jensen and Meckling, 1976 in Hartono, 2016).

To minimize conflicts between them, owners and management contract work agreements by regulating the proportion of their rights and obligations in order to achieve the expected utility. The agreement is expected to maximize the owner's utility, and can satisfy and guarantee management to receive rewards for the results of the company's management (Lambert, 2007).

The benefits received by both parties are based on the performance of the company. The relationship between owner and management is highly dependent on the owner's assessment of management performance. To that end, the owner demanded a return on the investment entrusted to be managed by management. Therefore, management should provide satisfactory returns to the owners of the company, since good performance will have a positive effect on the compensation received, and otherwise poor performance will negatively affect (Anthony and Govindarajan, 2012).

2.2 Signalling Theory

The second theory that explains the importance of performance measurement is signal theory (signalling theory). The signal theory discusses how successors or management failures (agents) should be delivered to the principal (Brigham and Houston, 2013). The signal theory explains that signaling is done by management to reduce asymmetric information. According to Sari and Zuhrotun (2008) signal theory (signalling theory) explains why firms have the impetus to provide financial statement information to external parties. The impetus arises because of asymmetric information between the company (management) and outsiders, where management knows the internal information of the company that is relatively more and faster than the outsiders such as investors and creditors.

Lack of information obtained by outsiders about the company causes the outsiders to protect themselves by providing low value to the company. Companies can increase the value of the company by reducing asymmetric information, one way is to provide a signal to outsiders in the form of reliable financial information that can reduce uncertainty about the prospects of the company in the future. Reports on good corporate performance will increase the value of the company (Anthony and Govindarajan, 2012).

In signaling theory, as for the motivation of management presents financial information is expected to provide a signal of prosperity to the owners or shareholders. The publication of annual financial statements presented by the company will be able to provide a signal of dividend growth as well as the development of the company's stock price (Brigham and Houston, 2013). Financial statements that reflect good performance are a signal or a sign that the company is operating well. Signals will be well responded to by outsiders, as the market response is highly dependent on the fundamental signals issued by the company. Investors will only invest their capital if they value the company's ability to add value to their invested capital more than if invested elsewhere. To that end, the attention of investors is directed to the ability of the company as reflected in the financial statements issued by the company (Brigham and Houston, 2013).
Good relationships will continue if owners or investors are satisfied with the performance of management, and the receiver of the signal also interprets the company's signal as a positive signal. It is clear that the measurement of the company's financial performance is crucial in the relationship between management with owners or investors. The financial statements are part of the financial reporting process. Complete financial statements are usually comprised of a balance sheet, an income statement, a statement of changes in financial position (which may be presented in various ways, for example, as a cash or cash flow statement) other records and reports and explanatory materials that are an integral part of the financial statements (IAI, 2015).

2.3 Consept RGEC (Risk, Good Corporate Governance, Earnings, and Capital)

The Regulation of the Financial Services Authority Number 4 /POJK.03/2016 concerning the Rating of the Health of Commercial Banks states that the soundness of a bank is in the interest of all parties concerned, both owners and managers of banks, users of banking services, and BI as supervisors and coaches bank. Bank rating system according to Bank Indonesia Regulation no. 13/1 / PBI / 2011 and SE No. 13/24 / DPNP dated October 25, 2011 which is an indicator is RGEC consisting of risk or risk (R), Good Corporate Governance (G), Earnings (E) and Capital (C) and assessment using scale 1 to 5 the smaller points received it signifies the health of the bank the better.

- Risk

According to Bank Indonesia Regulation (PBI / 5/8 / PBI / 2003) the definition of risk management is a set of procedures and methodologies used to identify, measure, monitor and control risks arising from the business of the

bank. While the definition of risk according to Dendawijaya (2009) is the opportunity or the possibility of occurrence of disaster or loss while in the risk of banking is interpreted as an opportunity of the possibility of a worsening situation or bad outcome. Risk is sometimes identified with something that smells negative. Many events can occur that have an impact on the occurrence of losses for bank operations. It can happen anytime, hit any bank, and anywhere. The event can also start from within the bank itself or from outside the bank. Assessment of inherent risk is done by taking into account the parameters / indicators that are both quantitative and qualitative, which consists of 8 aspects: Credit Risk, Market Risk, Operational Risk, Liquidity Risk, Legal Risk, Strategic Risk, Reputation Risk, Compliance Risk

- **Good Corporate Governance (GCG)**

Good Corporate Governance (GCG) is a system that regulates and controls companies that create value added for all stakeholders. In other words, the GCG is a set of rules governing the relationship between shareholders, the management of a company, the creditor, the government, employees and other internal and external interests relating to their rights and obligations or in other words a system that regulates and controlling the company, with the aim of increasing the added value for all interested parties.

In Indonesia, the term Good Corporate Governance (GCG) was only known since the 1990s, ie since the bankruptcy of some of the world's giants. In 1997, the financial crisis that hit in Indonesia also contributed to the economic down one of them in the banking sector. The Indonesian Bank's Good Corporate Governance Guidelines issued by the National Committee on Corporate Governance Policy states that: "The banking crisis in Indonesia beginning in late 1997 is not solely due to the economic crisis, but also caused by the lack of good corporate governance and the underlying ethics".

This makes more and more people who realize the importance of the implementation of Good Corporate Governance. Thus, Bank Indonesia issued the Indonesian Banking Regulation (PBI) Number 8/4 / PBI / 2006 which regulates Good Corporate Governance which is intended to enable banks to implement Good Corporate Governance to improve their performance. The main theory underlying Good Corporate Governance is agency theory developed by Michael Johnson.

Riyanto (2011) states that the relationship of the dukes is a contract between the principal and the agent. The essence of the agency relationship is the separation between ownership (principal / investors) and control (the agent / manager). Investors have hope that managers will generate returns from the money they invest. Cashmere (2012) unites that management of the company as an agent for shareholders, will act with full awareness for its own interests, not as a wise and fair and fair to shareholders.

The following is a description of GCG principles based on the Indonesian Banking Good Corporate Governance Guidelines issued by the National Committee on Corporate Governance Policy: Transparency ,Accountability, Responsibility, Independency ,Fairness.

- **Earning**

The bank profitability ratio analysis is a measuring instrument to measure the level of business efficiency and profitability achieved by the bank concerned. One of the main objectives of a bank in general is to make a profit. To measure the performance of a bank is to measure the ability of a bank to gain profit.

Bank is said to be healthy or not, seen from earnings (financial performance in generating profit). In this case Bank Indonesia as the highest authority to assess, using the approach ratio Return on Asset (ROA) and Return On Equity (ROE). Return on Assets (ROA) focuses the company's ability to earn profitability in the company's operations, while Return on Equity (ROE) only measures the return earned from the investment of the company owner in the business (Siamat, 2010). The ratio that can be used to assess profitability is the Net Interst Margin. According to Husnan (2015), the greater the ROA then the bank's financial performance will also be better because the rate of return (return) will be greater. If ROA increases, profitability of the company increases, company performance also increases.

- **Capital**

At the capital banks are required by Bank Indonesia to maintain the obligation of capital provision by 8%. Assessment is on the Capital Adequancy Ratio (CAR) with a minimum of 8%. CAR is a ratio showing how much the total assets of a bank containing risk (credits, investments, securities, tags with other banks) is financed from its own capital in addition to obtaining funds from sources outside the bank.

CAR will be set lower or higher by BI depending on the Risk Profile of each bank, as each bank has different risk levels. Simply the banks considered to be very risky, of course, the BI supervisor will ask for the minimum capital requirement (CAR) is greater. If the capital provided by a small bank while the bank's risk profile is high, then of course the bank will get special supervision from BI because it allows to be included in unhealthy category.

3. Research methods

3.1 Location and Time of Study

This research was conducted at the Regional Development Banks in Indonesia. Basic consideration of the selection of objects and areas of the study is because all Regional Development Banks located in this region is a status as a head office that has a complete financial statements.

3.2 Population and Sample

Population in this research is BPD residing in Indonesia region as much as 26 BPD in period 2012-2015.

Determination of sample in this research use purposive sampling method. The sampling criteria in this study are as follows:

- Regional Development Banks in Indonesia submitting financial reports to Bank Indonesia for reporting period 2012 - 2016.
- The financial statements are annual financial statements not quarterly reports. This is to avoid any partial influence in the calculation of financial ratios.
- Regional Development Banks in Indonesia that earn a profit during the study period (2012 - 2016).
- Based on these criteria, this research sample is 26 BPD.

3.3 Types and Data Sources

The type of data required in this study is secondary internal data covering the financial statements of BPD in the territory of Indonesia. The data source is an internal source. The meaning of secondary data from internal sources include the financial statements of each BPD that has been published by Bank Indonesia. The data collection techniques used are documentation techniques, while the data is arranged by pooling.

3.4 Operational Definition of Variables

This study uses two types of variables, namely the dependent variable and independent variables. As dependent variable-Y is profit growth obtained by regional development bank, while as independent variable (independent variable-Xi) is Non Performing Loan - NPL (X1), Loan To Deposit Ratio - LDR (X2), Return on Equity - ROE (X3), Net Interest Margin - NIM (X4), and Capital Adequacy Ratio - CAR (X5).

The NPL and LDR ratios represent the risk profile aspect of RGEC, ROE and NIM representing aspects of earnings in RGEC, while CAR represents the capital aspect of RGEC. Here is the operational definition for each research variable:

- NPL or also called the ratio of total nonperforming loans to the total credit of the bank concerned in a certain period. NPL represents the ratio of non-performing loans to total loans disbursed.
- LDR, also known as the ratio of loan to third party funds, is the ratio of the outstanding loan of a bank loan to the bank's third party fund in a certain period. LDR is the ratio between the credits granted to total funds from third parties.
- ROE is a ratio that indicates a company's ability to generate net income by using its own capital and generating net income available to owners or investors,
- NIM or net interest margin is a comparison between net interest income (interest income / interest income minus cost of credit), with the value of earning assets.
- CAR or capital adequacy ratio is the ratio of own capital to risk-weighted assets (ATMR) from the relevant bank within a certain period.

3.5 Data analysis method

This method aims to determine the effects of independent variables, namely NPL, LDR, ROE, NIM, and CAR on profit growth. The model can be expressed as follows (Ghozali, 2013):

$Yt = bo + b1\ X1t + b2\ X2t + b3\ X3t + b4\ X4t + b5\ X5t + et$

Where:
Y = Profit Growth
bo = Constant
X1 = NPL
X2 = LDR
X3 = ROE
X4 = NIM
X5 = CAR
e = Possible error rate
b1, b2, ..., b5 = Regression coefficients X1, X2, ..., X5

4. Research Result

4.1 Descriptive Statistics

The variables used in this research are NPL (X1), LDR (X2), ROE (X3), NIM (X4), CAR (X5), and profit growth (Y). Table 1 presents descriptive statistics for each of the variables used in this study.

Table 1: Descriptive statistics of research variables (in%)

Var	Min	Maks	Rata-Rata
X_1	0.000	10.000	1.566
X_2	55.000	128.000	92.581
X_3	0.000	37.000	22.935
X_4	4.000	14.000	7.626
X_5	12.000	32.000	19.654
Y	-0.995	262.724	2.179

Based on Table 1 it can be seen that the NPL variable (X1) has an average of 1.57%. The NPL variable has a maximum value of 10.00% is the NPL at East Kalimantan BPD 2014. The NPL variable shows the bank's ability to refute the risk of credit failure by the debtor, the smaller the NPL the less the risk borne by the bank.

The LDR (X2) variable has an average of 92.58%. The LDR variable has a minimum value of 55.00% which is the LDR at South Kalimantan BPD in 2012, while the maximum value of 128.00% is the LDR at Central Sulawesi BPD in 2013. The LDR variable shows the bank's ability to channel third party funds to Loan / credit or a kind of credit to generate income or earnings change, in this case the greater the LDR ratio, the better the performance of the bank concerned.

The ROE (X3) variable has an average of 22.94%. The ROE variable has a minimum value of 0% that is the ROE at the Maluku BPD 2014, while the maximum value of 37.00% is the ROE at BPD Bengkulu year 2013. The ROE variable shows the company's ability to generate net profit by using its own capital and generate net profit available to owners or investors, in this case the greater the ratio of ROE, the better the financial performance of the bank concerned.

The NIM (X4) variable has an average of 7.63%. The NIM variable has a minimum value of 4.00%, which is the NIM in East Kalimantan BPD 2014, while the maximum value of 14.00% is the NIM at the BPD Sulsel-Sulbar in 2013 and 2014. The NIM variable shows the bank's management capability in managing its earning assets to generate net interest income, in this case the greater the ratio of NIM, the better the health level of the bank concerned.

The CAR (X5) variable has an average of 19.65%. The CAR variable has a minimum value of 12.00%, which is the CAR at DKI BPD 2012, while the maximum value of 32.00% is CAR at BPD Central Sulawesi in 2012. CAR shows the ability of banks to provide funds for business development and risk loss of funds caused by bank operations, the higher the CAR the better the condition of a bank.

The profit growth variable (Y) has an average of 217.89%. The profit growth variable has a minimum value of -99.55% which is the profit growth in BPD Maluku 2014, while the maximum value of 26,272.41% is the profit growth in BPD Maluku in 2015. Positive profit growth illustrates the better the operational performance of the company.

4.2 Multiple Linear Regression Analysis

Multiple linear regression test is useful to know the influence of independent variable consisting of NPL (X1), LDR (X2), ROE (X3), NIM (X4) and CAR (X5) to dependent variable that is profit growth (Y). Based on the test results obtained that can be presented in the following table:

Table 2: Results of Multiple Linear Regression Analysis on Banking Companies

Variabel	Koef.	thitung	Sig.
Konstanta	-0.558	-1.826	0.070
X_1	0.002	0.092	0.927
X_2	0.001	0.378	0.706
X_3	0.017	3.114	0.002
X_4	-0.008	-0.396	0.639
X_5	0.015	1.976	0.050
		R (R Square)	0.336 (0.113)
		Standar Error	0.335
		Fhitung (sig)	3.132 (0.011)
		Fsig	129

4.3 Hypothesis Test (t test)

This t test is conducted to see the effect of each independent variables of NPL (X1), LDR (X2), ROE (X3), NIM (X4) and CAR (X5) partially to dependent variable and whether the influence is significant or not . Decision making in t test is done by comparing probability value with the value of alpha (□). Ho is rejected if the probability value is less than □ (0.05). Table 2 shows that the probability values of ROE (X3) and CAR (X5) are smaller than the required probabilities (5%), while the NPL (X1), LDR (X2), and NIM (X4) have a probability greater than 5% . From result of t test indicated that there is a significant influence of ROE and CAR partially to profit growth, while NPL, LDR, and NIM partially have no significant effect to profit growth. Further analysis of the results of the regression estimates as previously stated will be explained as follows:

- NPL (X1)

Based on Table 2 CAR variable (X1) has a positive but not significant effect on profit growth, beta coefficient value of 0.002 and obtained t value of 0.092 where the significance value (P)> 0.05 is 0.927. Statistically positive beta coefficient value indicates a direct effect which means the greater the NPL value the greater the profit growth. So there is no statistically significant evidence that Non Performing Loans (NPL) has a negative effect on profit growth (H1 is rejected).

- LDR (X2)

Based on Table 2, the LDR (X2) variable has positive but not significant effect on profit growth, beta coefficient value is 0,001 and t value 0,378 where the significance value (P)> 0,05 is 0,706. Statistically positive beta coefficient value indicates a direct effect which means the greater the LDR value the greater the profit growth. So there is no statistically significant evidence that the Loan to Deposit Ratio (LDR) has a positive effect on profit growth (H2 is rejected).

- ROE (X3)

Based on Table 2, the variable of ROE (X4) has a positive and significant influence on profit growth, beta coefficient value of 0.017 and obtained t value of 3.114 where the significance value (P) <0.05 is 0.002. Statistically positive beta coefficient value indicates a direct influence which means the greater the ROE the greater the profit growth. So found statistically significant evidence that Return on Equity (ROE) has a positive effect on profit growth (H3 accepted).

- NIM (X4)

Based on Table 2 the NIM (X4) variable has a negative but not significant effect on profit growth, beta coefficient value of -0.008 and obtained t value of -0.396 where the value of significance (P)> 0.05 is 0.693. Statistically negative beta coefficient value indicates the effect of opposite direction which means the greater the NIM the lower the profit growth. So there is no statistically significant evidence that Net Interest Margin (NIM) has a positive effect on profit growth (H4 rejected).

- CAR (X5)

Based on Table 2 CAR variable (X5) has a positive and significant influence on profit growth, beta coefficient value of 0.015 and obtained t value of 1.976 where the value of significance (P) ≤ 0.05 is 0.050. Statistically positive beta coefficient value indicate a direct effect which means the greater the CAR value the greater the profit growth. So found statistically significant evidence that Capital Adequacy Ratio (CAR) has a positive effect on profit growth (H5 accepted).

4.4 Discussion

The Effect of NPL on Profit Growth

The result of regression test shows that NPL variable has positive but not significant effect to profit growth with regression coefficient 0,002. This shows the greater the NPL, the greater the profit growth but no real effect. The insignificant results of NPLs on earnings growth, illustrates that the high NPLs are not followed by changes in profit growth. In this case, banks with high NPLs can still gain high profit growth if the total loan also increases (according to LDR research data increases) so that unpaid interest rate due to NPL can be covered by the increase of loan interest due to the realization of new loan or loan supplement . In addition, the efficiency of expenses other than interest costs that can cover the decrease in interest income due to NPLs, as well as increased interest income or free base income that can close the decline in interest income due to NPLs.

Credit is the largest asset investment and the largest source of income for banks. If the credit fails then the bank's ability to grant new loans will be limited. In addition the bank's income from credit interest will decrease and the bank should establish a credit loss reserve and will eventually reduce the profitability of the bank. Credit risk or credit quality from the bank is indicated by Non Performing Credit (NPL). Thus, the NPL can be used to measure the ability of the bank to cover the risk of default on the loan by the debtor. Based on Bank Indonesia Circular Letter Number 13/24 / DPNP 25 October 2011 concerning Commercial Banks, non performing loans are loans to non-bank third parties consisting of non-performing loans (sub standard), doubtful and loss.

Loan risk does not come back in accordance with the contract, such as delays, reduction of interest payments and pokonya loans, or not paying the loan at all. Risks faced by banks in the financial world can include the risk of bad loans. The more able the banks to minimize the risks, the banks will be healthier (Dendawijaya, 2009).

According to Dendawijaya (2009), NPL is the ratio used to measure the ability of banks in refuting the risk of credit failure by the debtor. The smaller the NPL the smaller the risk borne by the bank. Likewise, the greater the NPL, the greater the risk of credit failure is channeled, which has the potential to reduce interest income and lower profits. It can be deduced that the larger NPL of a bank, resulting in lower profit growth, so that the NPL has a negative effect on profit growth. The higher the NPL level, the greater the credit risk is borne by the bank. The NPL rate can affect the bank profitability level. The results of this study are not suitable and support the findings of research Zakaria (2015) and Pracoyo and Putriyanti (2016), NPL has a significant negative impact on profit growth

The Effect of LDR on Profit Growth

Regression test results showed that LDR variable has positive but not significant effect to profit growth with regression coefficient equal to 0.001. This shows the greater the LDR, will be followed by the greater growth of earnings but the effect is small. The influence of LDR on profit growth is not significant, can be seen from the research data, where companies with high LDR there is a high profit growth (BPD Central Sulawesi with LDR 128.0% and profit growth 132.92%) and there are companies with high LDR low profit growth (BPD Riau Kepri with LDR 112,6% and profit growth -40,05%). This illustrates the lack of bank effectiveness in lending. The high LDR shows that banks have been able to optimize the use of public funds to expand credit. LDR is under the target and limit, it will be said that the bank maintains an excessive liquidity tool and it will be said that the bank maintains an excessive liquidity tool and this will cause pressure on bank income in the form of high cost of unemployed cash maintenance.

Implementation of financial intermediation in banking can be seen from the ability of banks to change savings received primarily from household economic units to credit or loans for companies and others to invest in buildings, equipment and other capital goods (Rose, 2013). A common indicator used to measure the extent of intermediation by the banking system has been implemented is the Loan to Deposit Ratio (LDR). Liquidity is the ability of a company to pay off current debts using the company's current assets (Munawir, 2010). The main concern of financial analysts generally involves the company's liquidity. LDR is a measure of liquidity that measures the amount of funds placed in the form of loans derived from third party funds. The higher the LDR, the greater the funds disbursed and will increase the bank's income.

LDR reflects the bank's ability to channel third party funds to Loan / credit or similar credit to generate income or earnings changes. If third party funds are not channeled or iddle money will result in loss of opportunity to earn interest, low income and low profit change. It can be concluded, the greater the LDR of a bank, the greater the profit growth of the bank, so that LDR has a positive effect on bank profit growth. The result of Hartono (2010) shows that the higher LDR of a bank, the greater the credit disbursed, which will increase the bank interest income and will result in an increase in profit so that LDR has a positive effect on profit growth. The results of this study are not suitable and support the findings of research Ariyanti (2010) which states LDR is able to predict changes in bank earnings. Similar results also obtained Violeta (2010) and Pahlevie (2009) which indicates that the LDR has a significant effect on bank profit growth.

The Influence of ROE on Profit Growth

Regression test result showed ROE variable have positive and significant effect to profit growth with regression coefficient equal to 0,017. This shows the greater the ROE, will be followed by greater profit growth. ROE is used to measure how much net profit will be generated from each rupiah of funds embedded in total equity. The higher return on equity means the higher the number of berish earnings

generated from each rupiah of funds embedded in total assets. Conversely, the lower return on equity means the lower the net income generated from each rupiah of funds embedded in total assets (Hery, 2015: 194).

According to Dendawijaya (2009: 118) ROE is the ratio between the net profit of banks with their own capital ROE. This ratio is widely observed by bank shareholders as well as investors. This ratio is widely observed by shareholders of banks as well as investors in the capital market who want to buy the shares of the bank in question (if the bank has gone public).

This ratio shows how much rupiah is earned from net income for each rupiah invested by shareholders (owners of the company). The ability of companies in determining the right type of investment can also affect the amount of profits earned (Wibowo and Pujiati, 2011: 160). This ratio is an important indicator for shareholders and potential investors to measure the bank's ability to earn net income associated with dividend payments. The increase in this ratio means an increase in net income from the bank concerned. Thus it can be stated that the greater ROE of a bank, resulting in higher profit growth, so that ROE has a positive effect on profit growth. ROE level can affect bank profitability level. The results of research fit and support the findings of research Ariyanti (2010) that ROE is able to predict changes in earnings in banks.

The Effect of NIM on Profit Growth

Regression test results show that ROE variable have an effect but not significant to earnings growth with regression coefficient equal to -0.008. This shows the greater the NIM, will be followed by the lower profit growth but the effect is small. The effect of NIM on profit growth is not significant, can be seen from the research data, where companies with high NIM there is a high profit growth (BPD Sulsel-Sulbar with 14.0% NIM and profit growth 26.68%) and there are companies with high NIM with low profit growth (BPD Maluku with NIM 10.0% and profit growth -99.55%).

NIM does not affect profit growth, this result is in line with the profitability theory, where the environment spur the banks to increase the NIM ratio in accordance with the direction of bank banks partially to the desired position in the API that has been proclaimed by Bank Indonesia of 1.5%. Banks with large asset growth values will be accompanied by increased capital and more ability to generate profits to strengthen and strengthen the bank's ability as a sound intermediary institution within the framework of accelerated consolidation that is scheduled by Bank Indonesia. In addition, in today's competitive conditions banks tend to be more cautious in lending and managing their portfolios, in addition to enlarge Banking profits in Indonesia rely heavily on fee-based services such as telephone, electricity, transfer, clearing, and other administrative costs. So NIM does not have a significant positive influence on earnings change.

NIM is a ratio showing the ability of bank management in managing its productive assets to generate net interest income. Net interest income is derived from interest income less interest expense. Interest income is derived from the provision of credit or loan while the bank has an obligation of interest expense to the depositor. The greater this ratio then increases the interest income on earning assets managed by the bank so that the possibility of a bank in the troubled condition is getting smaller. With the increase in interest income can contribute earnings to the bank. So it can be concluded that the greater the change of NIM of a bank, the greater the profitability of the bank, which means the financial performance is increasing. In other words NIM is positively related to profit change according to Setyarini (2008) research result.

The Effect of CAR on Profit Growth

The result of regression test shows that CAR variable has positive and significant effect to profit growth with regression coefficient equal to 0,015. This means the greater the CAR, the greater the profit growth. The correlation between capital and profitability is explained by signaling theory, bankruptcy cost hypothesis, and risk-return hypothesis. Signaling theory and bankruptcy cost hypothesis support a positive relationship between capital and profitability. Risk-return hypothesis shows that the increased risk, by increasing the leverage of the company leads to higher expected returns. However, if the bank expects an increase in return (profitability) and takes more risks, by increasing leverage, equity ratio of assets (capital) will decrease. Risk-return hypothesis reveals a negative relationship between capital and profitability (Sharma & Gounder, 2012).

Solvency describes a company's ability to meet its financial obligations at maturity. Solvency analysis is focused primarily on reactions in the balance sheet that show the ability to pay off current debt and non-current debt. Companies that are not solvabel are companies whose total debt is greater than the total assets (Mulyadi, 2010). The company's operating capability is reflected from the assets owned by the company. Capital or capital has indicators, among others, the ratio of capital adequacy and capital adequacy of banks to anticipate potential losses according to risk profile, which is accompanied by a very strong capital management in accordance with the characteristics, business scale and business complexity of the bank.

Solvency is measured by a Capital Adequacy Ratio (CAR) that describes the magnitude of risk that will occur in crediting and risk in securities trading, which is secured by the amount of equity less fixed assets. Capital Adequacy Ratio (CAR) is a capital ratio that shows the ability of banks to provide funds for business development and accommodates the risk of loss of funds caused by bank operations, the higher the CAR the better the condition of a bank (Munawir, 2010). CAR reflects the company's own capital, the higher the CAR means the higher its own capital to fund the productive assets, the lower the cost of funds incurred by the bank. The lower the cost of funds will further increase the change in bank profits (Muljono, 2009).

So it can be claimed that the higher the CAR will further improve the changes in earnings at the Bank, so that CAR has a positive effect on changes in earnings. The results of this study are in accordance and support the findings of research Violeta (2010) and Sapariyah (2012) which states that the CAR has a significant positive effect on growth.

5. Conclusions and Recommendations

From the results of research conducted on 26 Regional Development Banks during the period 2012 to 2014 can be obtained the following conclusions. First, the Non Performing Loan (NPL) has a positive but not significant effect on the profit growth obtained by the Regional Development Bank. Secondly, the Loan Deposit Ratio (LDR) has a positive but not significant effect on the profit growth obtained by the Regional Development Bank. Third, Return on Equity / ROE have a positive and significant effect to profit growth obtained by Regional Development Bank. Fourth, Net Interest Margin / NIM has a negative but not significant effect on profit growth obtained by Regional Development Bank. And fifth, Capital Adequacy Ratio (CAR) has a positive and significant influence on the profit growth obtained by the Regional Development Bank.
Based on the limitations and conclusions, can be submitted some suggestions are as follows:

- For a banking company specifically a Regional Development Bank in Indonesia to further improve financial performance, especially ROE and CAR, because the aspects of ROE and CAR will affect the change in corporate profits.
- Subsequent research should increase the number of research samples and also involve other industry sectors to reflect the company's behavior more broadly and add other variables such as firm size, operational costs, complexity of company operations, and others. So that obtained a better finding about the factors that influence earnings growth.

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