THE EFFECT OF CREDIT RISK, THIRD-PARTY FUNDS, AND CASH TURNOVER ON BANK PROFITABILITY

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ABSTRACT
The purpose of this study is to determine and analyze the partial influence of credit risk variables, third-party funds, and cash turnover on the profitability of state-owned banks. As well as to determine and analyze the simultaneous influence of credit risk variables, third-party funds, and cash turnover on the profitability of banks of State-Owned Enterprises. The research conducted is descriptive quantitative research with a causal approach. Researchers used a sample of 40 sample data. Data analysis tools using E-Views 10. The results obtained in this study are partially credit risk affects profitability, third party funds and cash turnover does not affect profitability. Simultaneously credit risk, third-party funds, and cash turnover affect profitability.

Keywords: *Cash Turnover, Credit Risk, Profitability, Third Party Funds*

1. INTRODUCTION

Law No. 10 of 1998 on banking states that a bank is a business entity that collects funds in the form of deposits and then channeled back in the form of credit or other forms in order to improve people's living standards. Based on the annual report of SOE banks that have been processed, the average non-performing loans experienced by SOE banks increased which in 2013 amounted to 2.35% until 2022 amounted to 2.72%. However, the increase in problem loans does not always result in a decrease in profits generated by the bank. Based on the results of calculations in the financial statements from 2013 to 2020 decreased, then in 2021 to 2022 increased.

The decrease in profit in 2013 to 2020 was caused by a decrease in the bank's net interest income and the implementation of PSAK 71 which resulted in banks having to increase CKPN. Based on statistical data from Bank Indonesia by the OJK stated that the reduction in bank lending was carried out because the bank's NPL ratio began to increase. this is due to global and national economic instability that is less profitable so that banks are more careful in lending and prefer to save their funds. Maulana, (2022) stated that the mid-2020 economy was disrupted because companies and MSMEs did not earn income due to Covid-19. The impact is that the community is unable to pay its obligations to the bank, resulting in decreased bank profitability.

After the Covid-19 pandemic which resulted in a weak economy, Indonesia entered a new normal era. Based on data obtained from Kusnandar, (2022) that in 2020 the profitability of state-owned banks was Rp40, 340, 000, 000, 000, in 2021 it was Rp72, 050, 000, 000, and in 2022 it was Rp113, 095, 000, 000, 000. Arif, (2022)states that the funds in the bank are one of them obtained from the people who place the funds.

2. LITERATURE REVIEW

Signal theory was first proposed by Spence, (1973) and explained that there is a signal in the form of information from the company to other parties who need information. Brigham & Houston, (2018) argue that in signal theory, it is explained related to management's perception of the development of a company in the future and of course this will affect the response of potential investors or stakeholders to related companies. Reeves et al., (2019) states that signal theory explains the cause of a company providing information related to financial statements to external parties of the company. Signal theory explains that it is important for companies to publish financial statements as a source of information for parties that have interests or to investors (Novarianto & Dwimulyani, 2019).

Credit Risk, Third Party Funds, And Cash Turnover, Types and approach

Riyanto, (2001) in his book states that profitability is the company's ability to generate profits by comparing the assets or capital used with the profits generated. The purpose of the profitability ratio is to measure the ability or not of banks to use their assets efficiently. Profitability in a company or bank is called the main ratio in the financial statements because profit is the final result to be achieved. Profitability in banks is obtained through the sale or distribution of credit and the amount of Capital owned (Kasmir, 2018).

Profitability can be calculated by:

ROA = (Net Income) / (Total Assets) × 100%

Andriani & Wiryono, (2015) stated that credit risk is a condition in which the debtor cannot fulfill its obligations to pay principal and interest on time to the bank which can cause the bank to suffer losses. Non-payment of credit can be caused by external factors, internal factors from the bank, and internal factors from the debtor. The higher the NPL value, the worse the credit quality so that the potential for bank losses is greater. According to Bank Indonesia Regulation (PBI) number 23/2/PBI/2021, the ratio of non-performing loans or NPLs is less than 5%. Bank Indonesia Circular No.13/30 / DPNP states that the NPL is calculated by:

NPL = (total non-performing loans) / (Total Loans) × 100%

Funds sourced from the community or so-called Third Party Funds (TPF) are the largest source of funds that banks rely on, amounting to 80% -90% of all funds managed by banks (Dendawijaya & Risman, 2005). Sulistiyowati & Salsya, (2021) stated that thirdparty funds or DPK are the most important source of funds to carry out banking activities. The increasing number of deposits held by banks indicates that the public's trust in banks is increasing. Third party funds sourced from the community according to Dendawijaya & Lukman, (2009) include savings, time deposits, and demand deposits. Triandaru & Budisantoso, (2008) stated that DPK can be calculated using the following formula:

TPF= Ln (Savings + Deposit + current account)

Mulyono, (2000) states that cash turnover begins when cash is disbursed in the form of credit until cash is returned in a timely manner. The amount of cash in the company must be at least less than 5% -10% of the total current assets (Riyanto, 2008). To calculate the cash turnover in the company used the following formula (Kasmir, 2015): Cash turnover = sales / (average cash).

3. DATA AND RESEARCH TECHNIQUE ANALISYS

This study is quantitative research with a causal approach, which aims to examine the effect that exists between two or more variables in order to find a causal relationship that exists between the independent variable and the dependent variable. This study was conducted in the banking sector, namely State-Owned Enterprise banks with a period of 2013-2022. The total population used is as many as five state-owned banks with a sample of 4 state-owned banks to obtain as many as 40 sample data. The sampling technique used in this study is using purposive sampling method. The method of data collection used in this study is using the documentation method and using E-Views 10 as a data processing tool.

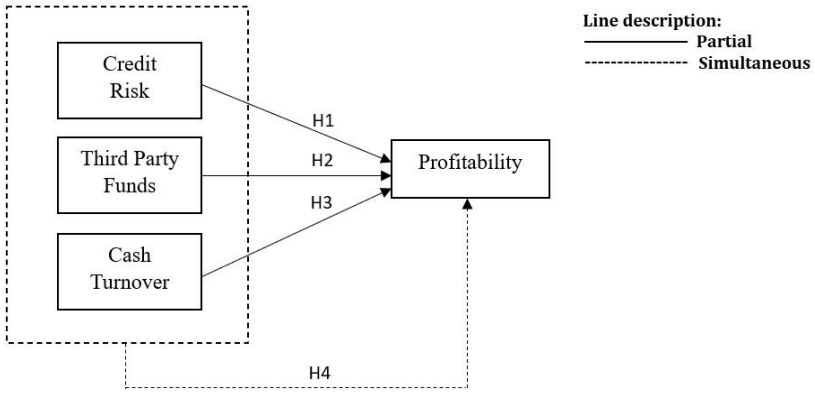

Figure 1 Research Concept Framework

4. RESULT AND DISCUSSION

Analysis of the results of this research will be in the form of outlines in table 1 to table 6 :

Descriptive Statistical Analysis

Descriptive statistical analysis is the elaboration of data without performing decisionmaking (Ghozali, 2018). Descriptive statistical Data consists of mean, median, maximum, minimum, and standard deviation of each independent variable and dependent variable. *Table 1 Descriptive Statistics*

	Y (ROA)	X1 (Credit Risk)	X2 (Third Party Funds)	X3 (Cash Turnover)
Mean	1.011250	1.016750	1.258000	0.812000
Median	1.015000	1.030000	1.260000	0.695000
Maximum	1.600000	1.560000	1.270000	1.490000
Minimum	0.100000	0.470000	1.240000	0.170000
Std. Dev.	0.338550	0.298590	0.007232	0.318958
Observations	40	40	40	40

Source : data processed by E-Views 10

Based on Table 1, descriptive statistical test of profitability variables measured using Roa proxies from 40 sample data with mean, maximum, standard deviation and with an average value greater than the standard deviation of 1.011250 > 0.338550 indicates that the distribution of profitability data is good.

Descriptive statistical test of the amount of credit risk variables from 40 data has a mean value, maximum, standard deviation and with an average value greater than the standard deviation of 1.016750 > 0.298590 indicates that the distribution of credit risk data is good.

Descriptive statistical test of variable amount of third party funds from 40 data has mean, maximum, standard deviation and with an average value greater than the standard deviation of 1.258000 > 0.007232 indicates that the distribution of data good third party funds.

Descriptive statistical test of variable amount of cash turnover of 40 data have mean, maximum, standard deviation and with an average value greater than the standard deviation of 0.812000 > 0.318958 indicates that the distribution of data good third party funds.

Panel Data Regression Model Selection

Panel data regression model selection is done with the aim to obtain the best model to be used in the study. The following are the results of the chow Test in this study: *Table 2 Panel Data Regression Model Selection*

	Prob
Cross-section F	0,6928
Cross-section Chi-square	0,6286

Source : data processed by E-Views 10

Based on the Chow Test in Table 2, the probability value of Cross-section F and Crosssection Chi-square obtained > 0.05 and this means that the model selected and will be used in this study is CEM.

Panel Data Regression Equation

This study uses CEM as a regression model of panel data. In this approach uses a combination of time series data and cross section data that is estimated using a small square approach. The following data acquisition from the CEM test has been done:

Table 3 Panel data regression equation

Variable	Coefficient
C	-2,490785
X1 (Credit Risk)	-0,601802
X2 (Third Party Funds)	3,288079
X3 (Cash Turnover)	-0,182619

Source : data processed by E-Views 10

Based on Table 3, it is obtained that the panel data regression equation is CEM which explains the effect of credit risk, third party funds, and cash turnover on the profitability of state-owned banks. Here's the equation:

Y= -2.490785 - -0.601802 X1 + 3.288079 X2 -0.182619 X3 + ε

Classical Assumption Test

Classical assumption test is done after the selection of the model to be used in the study. Classical assumption test consists of normality test, autocorrelation test, multicollinearity test, and heteroscedasticity test. Here's the explanation:

a. Normality Test

Normality test is done by looking at the acquisition of probability values, if the value of prob > 0.05 then the residual normal distribution but if the value of prob < then the residual abnormal distribution. Here are the probability results obtained.

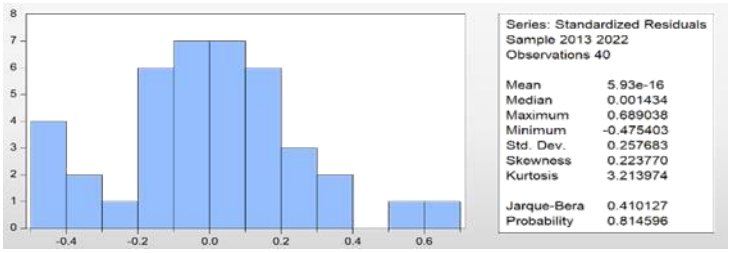

Figure 2 Normality Test Results

Source : data processed by E-Views 10

The results obtained from the normality test in Figure 2, the probability value of 0.814596 > 0.05 which means that the residual distribution is normal.

b. Autocorrelation Test

Autocorrelation test aims to determine the existence of residual that is not free between one observation to another observation caused by errors that tend to affect the same individual in the next period. To detect the presence or absence of autocorrelation problems, the Durbin-Watson test (DW) will be used as follows:

Table 4 Autocorrelation Test Result

du	D-W	(4-du)	Description
1.6589	2.181860	2.3411	There is no autocorrelation

Source : data processed by E-Views 10

Based on Table 4, obtained DW of 2.181860 with total data (n) = 40 and total independent variable (k) = 3. Obtained du value of 1.6589 derived from the table DW. Then obtained the value of 4-du is equal to 2.3411. based on the test criteria that have been done, then obtained the result that du < DW < (4-du) to obtain the decision that there is no autocorrelation problem in this study.

c. Multicollinearity Test

Multicollinearity test was conducted to determine whether there is a correlation between independent variables. If the obtained multicolinearity value > 0.8 then there is a multicolinearity problem. However, if the value of multicolinearity < 0.8 then there is no multicolinearity problem. The following multicollinearity values obtained in this study:

Table 5 Multicollinearity Test Result

	X1	X2	X3

Credit Risk (X1)		-0.2916124713145432	
TPF (X2)			0.1151538709909307
Cash Turnover (X3)	0.4630952016741934		

Source : data processed by E-Views 10

Based on Table 5, it was obtained that the value of multicollinearity between independent variables, namely credit risk, third party funds (TPF) and cash turnover < 0.8 which means that there is no problem of multicolinearity between independent variables. d.

Heteroscedasticity Test

This test is done to test whether there is a variance inequality from the residual of one observation to another. According to Hamid et al., (2020) i.e. if the chi-square probability value is < 5% then there is a heteroscedasticity problem. However, if the chi-square probability value > 5% then there is no heteroscedasticity problem. The following are the results of heteroscedasticity tests that have been carried out:

Table 6 Heteroscedasticity Test Result

Variable	Prob.
C	0.7333
X1 (Credit Risk)	0.0722
X2 (Third Party Funds)	0.7480
X3 (Cash Turnover)	0.1951

Source : data processed by E-Views 10

The results obtained from heteroscedasticity test showed that the value of credit risk (X1), third party funds (X2), and cash turnover (X3) > 0.05 then there is no problem of heteroscedasticity.

Test Coefficient Of Determination (Adjusted R^2)

The coefficient of determination test is used to measure how much the contribution of the independent variable to the dependent variable whose amount ranges from 0-1. If the value of the coefficient of determination is closer to 0, the smaller the influence of the independent variable on the dependent variable. But on the contrary, if the value of the coefficient of determination is greater, the greater the influence of the independent variable on the dependent variable. The following test results coefficient of determination in this study:

Table 7 Coefficient Of Determination (R^2) Result

R-squared	0.420671
Adjusted R-squared	0.372394

Source : data processed by E-Views 10

Based on Table 7, the value of Adjusted R2 is 0.372394 or 37.23% which means that the interpretation value of the correlation is low (Sugiyono, 2017). Adjusted R2 test results in this study showed that the independent variables (Credit Risk, third party funds, and cash turnover) contributed 37.2% to the dependent variable (profitability).

Hypothesis Test

The purpose of the hypothesis test is to test the hypothesis that has been put forward and to find out whether there is an influence between the independent variable and the dependent variable used in this study (Syelviani, 2020). Hypothesis test in this study include Partial Test (t test), simultaneous test (F test), and adjusted coefficient of determination test (R2).

Table 8 Hypothesis Test Results

No	Relationship Between Variables	Coefficient	Prob Uji t	Prob (F-statistic)	Description
1	Credit Risk (X_1) → Profitability(Y)	-0.601802	0.0016	-	Has Effect
2	Third Party Funds (X_2) → Profitability (Y)	3.388079	0.6052	-	No Effect
3	Cash Turnover (X_3) → Profitability (Y)	-0.182619	0.2583	-	No Effect
4	Credit Risk (X_1), Third Party Funds (X_2), and Cash Turnover (X_3) → Profitability (Y)	-	-	0.000177	Has Effect

Source : data processed by E-Views 10

5. CONCLUSION

Based on the results of data analysis that has been done, it can be concluded that credit risk variables affect profitability. Variable third party funds and cash turnover have no effect on profitability. Variable credit risk, third party funds, and cash turnover simultaneously affect profitability. The results obtained in this study support several previous studies that have examined the variables in this study. The results obtained in this study provide an overview to the state-owned banks in order to maximize the profitability obtained and in order to control the bank's NPL level and be able to utilize the deposit as well as possible. Suggestions for future researchers in researching state-owned banks are to add other variables such as CAR, BOPO, company size, and BI Rate, as well as adding bank Syariah Indonesia (BBSI) to the research sample and it is advisable to use quarterly data to facilitate data collection of state-owned banks.

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