

THE EFFECT OF FINANCIAL RATIOS ON FINANCIAL PERFORMANCE AMONG BANKING COMPANIES

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ABSTRACT

This study was conducted to obtain empirical evidence related to the effect of loan to deposit ratio, capital adequacy ratio, debt to equity ratio, and operational efficiency ratio on the financial performance of banking companies listed on the Indonesia Stock Exchange for a three-year period, which is 2017-2019. The research design used is descriptive research in describing the relationship between the independent variables and the dependent variable. The research method used is purposive sampling, with amounted to 29 companies that meet the criteria. Furthermore, this study used EViews 12 Student Version Lite application in the data processing. The results of this study indicate that the operational efficiency ratio influences the financial performance of banking companies. Meanwhile, loan to deposit ratio, capital adequacy ratio, and debt to equity ratio does not affect banking companies' financial performance.

Keywords: *loan to deposit ratio, capital adequacy ratio, debt to equity ratio, operational efficiency ratio, and return on assets*

1. INTRODUCTION

According to [1], the previous case caused the economic condition to worsen precisely in the 1998 monetary crisis, which directly affected banking conditions in Indonesia. At that time, the Rupiah exchange rate was fragile, and public confidence in banking companies was also shallow due to the monetary crisis. The government has made various efforts to restore the trust of the Indonesian people, but it remains difficult; plus, most banks are also experiencing difficulties related to liquidity. The weakening Rupiah exchange rate was also affected by high inflation at that time, and this also caused investment activities in Indonesia to weaken significantly. Another impact, as mentioned earlier, is the declining public trust followed by a massive withdrawal of money, also known as a bank run, because of the fear that their money will be lost at that time. This caused banks in Indonesia at that time to experience liquidity problems.

One way for people to judge whether the bank where they put their money is safe is to look at the bank's financial performance. For this reason, to gain public trust, several banking companies hope to gain trust and growth for their companies by going public on the Indonesia Stock Exchange. Some take this decision to increase working capital for the company, see the growth potential, or other interests related to investment.

Liquidity is an indicator that can show or become a benchmark for banks to assess their financial performance by seeing how a company can pay off its short-term debt. The liquidity ratio can be measured using two ratios, such as the Loan to Deposit Ratio (LDR) or the Non-Performing Loan (NPL).

Another indicator that can be used is capital adequacy by using the Bank's own Capital Adequacy Ratio (CAR). This capital adequacy indicates that a bank can carry out its

operational activities well, which will later affect the company's performance. This is because if the capital adequacy ratio owned by this company is good, it can also be considered that when there are risks arising from productive assets, the company can bear all the risks that arise. Based on the expert, it was also found that the capital adequacy ratio, commonly known as CAR, has a positive relationship with company performance.[2]

Solvency is also an indicator that can indicate whether a company's financial performance is good or not. According to [3], the Debt to Equity Ratio (DER) can be used to measure solvency's effect on the company's performance and whether the company can pay all its short-term and long-term obligations if the company is liquidated or disbanded.

Finally, one of the ratios that can measure the company's efficiency level in generating revenue or profit is the ratio of Operational Efficiency Ratio (OER). This ratio can show how well the company controls the costs incurred to obtain the company's operating income.

Based on the above description, this study attempts to answer: Is there any influence of liquidity on the financial performance of banking companies listed on the Indonesia Stock Exchange in 2019-2021?; Can capital adequacy affect the financial performance of banking companies listed on the Indonesia Stock Exchange in 2019-2021?; Is there any influence of solvency on the financial performance of banking companies listed on the Indonesia Stock Exchange in 2019-2021?; and Is there an effect of efficiency on the financial performance of banking companies listed on the IDX in 2019-2021?

Our Contribution

For researchers, this study provides an understanding of the relationship between banking financial performance and financial factors that affect financial performance, especially in banking companies listed on the Indonesia Stock Exchange (IDX). For companies, this research can better understand the links or relationships formed between factors that can affect financial performance in banking. For investors, this research can help provide a new view of the financial performance of banking companies through the influencing financial factors. Furthermore, this research is expected to be useful for academics as a reference for further research.

Paper Structure

The papers are arranged as follows; Section 1 introduces and explains this paper's contribution. Section 2 introduces the preliminaries used in this paper, such as theories and research hypotheses. Section 3 presents the methods and proxy used in this research. Section 4 presents the results & discussions of the research. Finally, Section 5 concludes the research and presents directions for future researchers.

2. THEORETICAL REVIEW

Agency Theories

Agency Theory. Based on the opinion of [4], agency theory is a theory that states that there is an agency relationship where there is a contract between one or more principals as owners and hires other people who are said to be agents to carry out various interests. In this theory, there are differences in interests between the owner (principal) and the manager (agent). Because

there are differences in these interests, it is often said that each usually wants to fulfill his interests more than the interests of the other party. For example, when the manager as an agent has a goal that is often different from the goal of the owner (principal) to maximize the interests of shareholders. This can eventually lead to agency conflict.

This agency conflict can then create agency costs. [4] argue that there are three types of agency costs. The first type of agency cost is monitoring cost, a form of supervision by the owner to limit or avoid deviant activities that agents can carry out. Second, bonding costs are costs that must be incurred for the supervision carried out by the owner. This bonding cost is also used to ensure that the agent will not do things that can cause harm to the principal, but in return, it must also be given confidence that the principal will compensate if the agent can do this. Third, residual costs exist due to the lack of benefits obtained by the principal due to differences in interests between the principal and the agent.

Signalling Theory

Signaling Theory was first presented by [5], which discusses the sending party as the owner of the information trying to provide relevant information, such as the company's condition to be used by investors as the receiving party. Then, the recipient will use the signal or information obtained as a response related to investment decisions against the company.

Furthermore, [6] stated that this signaling Theory means a signal from company management to investors as a form of guidance about the company's prospects. In Theory, this signal can also be in the form of information about the efforts given by management to be able to realize the interests of the owner, so it is said that the signal given is an essential indicator for investors as recipients of information in responding to investment decisions for the company.

Return on Assets

The meaning of Return on Assets (ROA), according to [7], is a ratio that measures the return on investment, which is usually also called Return on Assets because this ratio measures the company's overall ability to generate profits on the use of total assets in an overall manner. Meanwhile, according to [8], Return on Assets (ROA), said the higher the ROA ratio, the better the condition of a company in generating profits received from the use of the availability of all assets in the company. So based on some of the experts' descriptions above, it can be concluded that ROA is a ratio that can be used to measure the level of company profitability by looking at the profits it gets from using company assets.

Loan to Deposit Ratio

According to [9], "LDR (Loan to Deposit Ratio) is the ratio used to measure the composition of the amount of credit given compared to the number of public funds and own capital used." Meanwhile, according to [10], this Loan to Deposit Ratio (LDR) can be interpreted as a comparison between total credit and third-party funds deposited by banks so that this Loan to Deposit ratio can be able to show the ability of the bank to show the number of funds collected by the bank to be channeled again to the public in the form of credit. Based on the understanding of the Loan to Deposit Ratio (LDR) that has been put forward by the experts above, it can be said that the Loan to Deposit Ratio is a ratio that can be used to measure the ability of banks to channel funds collected by banks in the form of deposits to be redistributed at third parties in the form of credit. Furthermore, the relationship between LDR and company

performance is assessed from Return on Assets (ROA). If a company has a good LDR level, it will also affect a bank's financial performance because the LDR ratio shows the ability of a bank to pay off its short-term debts. If the bank's ability improves in this regard, its financial performance will also increase. Based on these thoughts, the following hypotheses can be formulated:

H1: Loan to Deposit Ratio (LDR) has a significant and positive effect on the company's Return on Assets (ROA).

Capital Adequacy Ratio

The Capital Adequacy Ratio (CAR) can be interpreted briefly as a ratio that can measure a bank's ability to face the risk of loss by maintaining its capital to cover losses related to credit or securities trading. According to [11], Capital Adequacy Ratio (CAR) is a comparison of the current ratio between the ratio of capital to Risk-Weighted Assets (RWA) and government regulations. The greater the CAR value, it can be said ROA will increase. This indicates that there is sufficient capital to finance the company's assets that have risk. Based on this framework, the following hypotheses can be formulated:

H2: Capital Adequacy Ratio (CAR) has a significant and positive effect on the company's Return on Assets (ROA).

Debt to Equity Ratio

According to [11], in measuring the solvency ratio, one of them can use the Debt to Equity Ratio (DER), which is a ratio used to measure or compare the total amount of debt which includes current debt and the company's total equity. It can be concluded that if DER is a ratio used to calculate how much the company's ability to pay its debts using its capital, it can also be said that this high DER ratio can show the company has high debt, which may have an impact on the company's low ability to distribute dividends to owners (shareholders). The greater the level of debt in a company can impact the company's financial risk because the obligations the company bears will be even more outstanding, both in short-term, long-term, and current liabilities, if the company has a more excellent ratio in the DER, the smaller the company's ROA and vice versa. Based on this framework, the following hypotheses can be formulated:

H3: Debt to Equity Ratio (DER) has a significant and negative effect on the company's Return on Assets (ROA).

Operational Efficiency Ratio

According to [12], the Operational Efficiency Ratio (OER) can be measured by comparing operational costs to operating income. OER is often referred to as a ratio that can measure efficiency or measure a bank's ability to manage operating costs incurred by comparing it with operating income earned. Based on this ratio, it can also be said that the smaller this ratio, the more efficient the bank can manage the operational costs it incurs or the less the banking risk. On the other hand, if this ratio increases, it may lead to a reduction in profit before the company receives tax. The greater the number or value in the BOPO ratio will affect the decrease in ROA that the company will receive. This indicates that the company's management is less able to maintain the costs incurred to earn revenue. Vice versa, if the BOPO value is smaller, the

ROA will increase. It is said that the ideal BOPO value is between 70% -80%, so it can be said to be efficient. Bank Indonesia itself recommends that the BOPO value is below 90%. Based on this framework, the following hypotheses can be formulated:

H4: Operational Efficiency Ratio (OER) has a significant and negative effect on the company's Return on Assets (ROA).

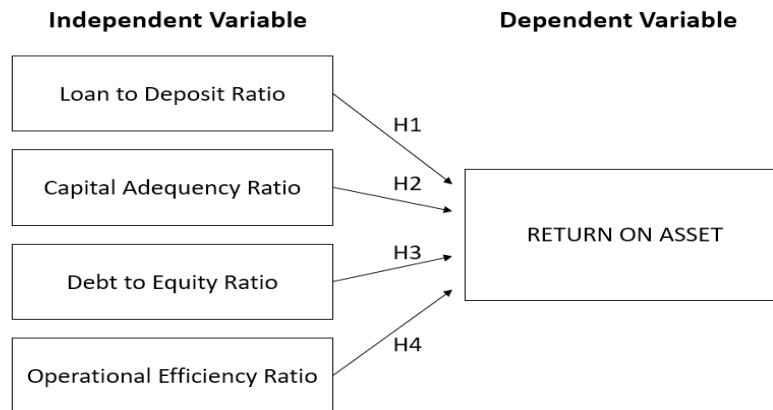


Figure 1. Research Model

3. RESEARCH METHOD

In this study, the population studied by the author are banking companies listed on the Indonesia Stock Exchange (IDX) from 2019-2021. The sample studied this time was 20 banking companies listed on the Indonesia Stock Exchange (IDX) from 2019-2021. This sampling selection technique is purposive sampling. The research design used in this study is descriptive. The dependent variable in this study is the company's performance as measured using Return on Assets (ROA). At the same time, the independent variables used in this study are LDR, CAR, DER, and OER. In this study, there are several criteria used. First, this research is only conducted on banking companies that have experienced profits for three consecutive years and are listed on the Indonesia Stock Exchange (IDX) in the 2019-2021 period. Second, this study only examines banking companies that went public on the Indonesia Stock Exchange (IDX) in 2019-2021. Third, this study only examines conventional banking listed on the Indonesia Stock Exchange (IDX) in 2019-2021 and does not include Islamic banking. Fourth, this study only examines four variables: liquidity, capital adequacy, solvency, and efficiency.

Return on Assets (ROA), according to [7], is a ratio that measures the return on investment, which is usually also called Return on Assets because this ratio measures the company's overall ability to generate profits on the use of the total assets as a whole. . the following formula can describe ROA:

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$$

According to [9], "LDR (Loan to Deposit Ratio) is the ratio used to measure the composition of the amount of credit given compared to the number of public funds and own capital used." The following formula can describe LDR:

$$LDR = \frac{\text{Total Loan}}{\text{Total Deposit} + \text{Equity}}$$

According to [11], Capital Adequacy Ratio (CAR) is a comparison of the current ratio between the ratio of capital to Risk-Weighted Assets (RWA) and government regulations. The following formula can describe CAR:

$$CAR = \frac{(\text{Tier 1 Capital} + \text{Tier 2 Capital})}{\text{Risk Weighted Assets(RWA)}}$$

According to [13], the Debt to Equity Ratio (DER) can be interpreted as a ratio that measures the percentage of the company's liabilities when compared to the company's capital. So that the formula can describe DER:

$$DER = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

According to [12], OER is often referred to as a ratio that can measure efficiency or measure a bank's ability to manage operating costs by comparing it with the income obtained. So that OER can be described by the following formula:

$$OER = \frac{\text{Operating Expenses}}{\text{Revenues}}$$

4. RESULTS AND DISCUSSION

Descriptive Statistics

The dependent variable ROA has an average or means of 0.016532 with a standard deviation of 0.011102. The maximum number of dependent variable ROA is 0.0431 or 4% owned by PT Bank Mestika Dharma Tbk. with the BBMD stock code in 2021, while the minimum number of the dependent variable ROA is 0.0007 or 0.07% owned by PT Bank Mayapada International with the stock code MAYA.

For the first independent variable, the loan to deposit ratio (LDR) has a mean value of 0.789893 with a standard deviation of 0.132658. So, it can be judged that the average banking company processed has a loan-to-deposit ratio of 78.98%. Then it can also be obtained that the maximum value of the LDR independent variable is 1.0792, which PT Bank Pan Indonesia Tbk owns with the stock code PNBK in 2019. In contrast, the minimum value for the LDR variable is 0.4122, which is owned by the company PT Bank Sinarmas Tbk. with the stock code BSIM in 2021.

The second independent variable is the capital adequacy ratio (CAR) which shows an average value or mean of 0.241322 and a standard deviation value of 0.074527. Then, from table 4.2, the maximum value is 0.4812 while the minimum is 0.1369. The company that has a maximum value of 48.12% related to the capital adequacy ratio is PT Bank Mestika Dharma Tbk. with

the stock code BBMD in 2021, while the minimum value of 13.69% for the capital adequacy ratio is PT Bank Maspion Indonesia Tbk. with stock code BMAS in 2021.

The third independent or independent variable is the debt to equity ratio showing the mean or average value of 5.656067 with a standard deviation of 1.920782. The maximum value obtained for the debt to equity ratio variable is 10.75430 or 1,075.43%, owned by PT Bank Nationalnubu Tbk with stock code NOBU in 2021. Meanwhile, the minimum value obtained is 2.531800 or 253.18% owned by PT Bank Mestika Dharma Tbk with the stock code BBMD in 2020.

Finally, the independent variable OER has a mean or average value of 0.824130 with a standard deviation of 0.127318. Then the maximum value is 1.194300, where the amount of OER is owned by PT Bank Sinarmas Tbk. with the stock code BSIM in 2019. For the minimum value, it is owned by PT Bank Mestika Dharma Tbk. with the stock code BBMD in 2021 with a figure of 0.51700 or 51.7%.

Table 1. Descriptive Statistics

	ROA	LDR	CAR	DER	BOPO
Mean	0.016532	0.789893	0.241322	5.656067	0.824130
Median	0.014600	0.799300	0.220300	5.508950	0.840900
Maximum	0.043100	1.079200	0.481200	10.75430	1.194300
Minimum	0.000700	0.412200	0.136900	2.531800	0.517000
Std. Dev.	0.011102	0.132658	0.074527	1.920782	0.127318
Observations	60	60	60	60	60

Source: EViews Output

Multicollinearity Test

The multicollinearity test is a condition with a strong correlation between the independent variables used in the test. According to [14], in conducting the multicollinearity test, the correlation value can be used to identify whether there is a multicollinearity problem. Based on the resulting output shown in Table 2, X1 is the loan to deposit ratio, X2 is the capital adequacy ratio, X3 is the debt to equity ratio, and X4 is the Operating Expenses to Operating Income, the correlation value between independent variables appears < 0.8 . So it can be concluded that H_0 is accepted, meaning that there is no multicollinearity problem between independent variables.

Table 2. Multicollinearity Test

	X1	X2	X3	X4
X1	1.000000	-0.283299	-0.158614	0.065327
X2	-0.283299	1.000000	-0.629720	-0.314538
X3	-0.158614	-0.629720	1.000000	0.137993
X4	-0.065327	-0.314538	0.137993	1.000000

Source: EViews Output

Heteroscedasticity Test

According to [14], the heteroscedasticity test was carried out to see whether there were deviations in the assumptions in the regression model. This deviation is due to the variance of the residuals for all observations in the regression model. The methods that can be used to test for heteroscedasticity are the White, Glejser, Brush-Pagan-Godfrey, Harvey, and ARCH tests. In this study, the model used was the ARCH method. Based on the results of the heteroscedasticity test using the ARCH method, it can be seen if the chi-square probability value is $0.8415 > 0.05$, meaning H_0 is accepted and H_1 is rejected where there is no heteroscedasticity problem.

Table 3. Heteroscedasticity Test

Heteroscedasticity Test: White			
F-statistics	1.414723	Prob. F (14.44)	0.1869
Obs*R-squared	18.31425	Prob. Chi-Square (1)	0.1928

Source: EViews Output

Chow Test

The Chow test is used to determine whether the Common Effect Model or Fixed Effect Model is the most appropriate for estimating panel data. Based on the results of the Chow test in the table above, the output probability is $0.0000 (< 0.05)$. Then H_0 is rejected, and H_1 is accepted. Thus, the Fixed Effect Model (FEM) is suitable.

Hausman Test

The Hausman test is used to determine whether the Fixed Effect Model (FEM) or Random Effect Model (REM) is the most appropriate to use in estimating panel data. Based on the results of the Hausman test, the probability of a random cross-section is $0.0000 (< 0.05)$. Then H_0 is rejected, and H_1 is accepted, which means that the FEM model is suitable

Multiple Regression Analysis

The relationship between independent variables, such as the loan to deposit ratio, capital adequacy ratio, debt to equity ratio, and operational efficiency ratio to the dependent variable, return on assets, was examined using multiple linear regression analysis. Based on the results of the multiple linear regression analysis that has been conducted, the equation model can be shown as follows:

$Y = 0.054130 + 0.022611 X_1 + 0.014364 X_2 + 0.000175 X_3 - 0.072701 X_4 + e$, whereas Y is ROA, X_1 is LDR, X_2 is CAR, X_3 is DER, X_4 is OER, and e is error term.

Table 4. Fixed Effect Model (FEM) - Effects Specification

Cross-section fixed (dummy variables)			
R-squared	0.971668	Mean dependent var	0.016532
Adjusted R-squared	0.953567	S.D. dependent var	0.011102
S.E of Regression	0.002392	Akaike info criterion	-8.943885
Sum squared resid	0.000206	Schwarz criterion	-8.106147
Log likelihood	292.3166	Hannan-Quinn criter.	-8.616200
F-statistic	53.68052	Durbin-Watson stat	2.524078
Prob (F-statistics)	0.000000		

Source: EViews Output

Discussion

Based on the hypothesis test described in the previous section, it can be said that the Loan to Deposit Ratio has no significant effect and harms the company's financial performance as measured by Return on Assets (ROA). The result of this research states that a significance value of 0.0012 is smaller than the predetermined significance value of 0.05, so it can be concluded that H_0 is rejected and H_1 is accepted. Moreover, the value of the regression coefficient is also negative, which means that LDR negatively affects ROA.

Based on this research, it can be said that the greater the LDR level owned by the company will affect its financial performance as measured by ROA. Adequate liquidity will minimize the risk of bank's ability to pay its obligations. The higher the level of liquidity of a bank coupled with good quality of lending, the greater the possibility that the bank can increase its profits through income received through the collection and distribution of funds (spread based). The results of previous studies also support this study by [15] dan [16], which stated that LDR had significant effect on ROA.

The research that has been done shows that CAR does not significantly affect the company's financial performance as measured by ROA. The results shows that the significance value obtained is 0.3848, which means it is more significant than 0.05, so it can be interpreted that it has no significant effect. In addition, based on the regression coefficient value of 0.014364, it shows a positive value, so it can be said that the independent variable CAR has a positive influence on the dependent variable ROA, which means that if the CAR value is higher, it will result in a higher ROA value and vice versa. Therefore, the previous hypothesis where CAR has a significant effect on ROA is rejected, or in other words, H_0 is accepted, and H_1 is rejected.

Based on the regulations issued by Bank Indonesia, it is required to maintain a minimum Capital Adequacy Ratio (CAR) of 8%, so it is unclear whether CAR affects ROA. In addition, if the bank only has sufficient capital without being accompanied by the distribution of this capital in an excellent future investment plan and proper capital management, it will not have much effect on the company's ROA.

The results of this study are also supported by the results of previous research conducted by [17], which said that CAR had no significant effect on ROA. Research by [18], where the results obtained a significant value which was also greater than 0.05, and the hypothesis issued

by the author, namely "Capital Adequacy (CAR) Has a Positive Effect on Financial Performance (ROA)," is rejected. However, this research contradicts the research conducted by [19], where capital adequacy has a positive and significant effect on the financial performance of banks listed on the Indonesia Stock Exchange.

According to [7], the Debt to Equity Ratio (DER) is a comparison ratio between equity and debt. DER itself can be searched by comparing all debt, including current debt, with all company equity. Based on the formula, it can also be interpreted that the lower the DER number, the lower the company's ability to pay its obligations and vice versa. If the DER ratio is significant, then it can also be said that the company will be riskier.

Furthermore, based on the hypothesis testing that has been done previously, the significant number is 0.8029 below 0.05, and the regression coefficient is 0.000175. Based on the summary of the hypothesis test, it can be concluded that the independent variable DER has no significant effect on ROA and is positive.

This study's results align with [20]. His research shows that DER has no effect on ROA in coal sub-sector mining companies listed on the IDX. However, contrary to that, [21] research stated that DER and ROA had a significant effect on manufacturing companies listed on the IDX.

Based on the hypothesis tests and research that have been carried out previously, we can see that the significant number for this OER variable is 0.0000, which shows that its value is smaller than the previously determined significance value of 0.05. So, it can be said that H_0 is rejected and H_1 is accepted, or in other words, the independent variable OER has a significant influence on the dependent variable of the financial performance of banking companies as measured by ROA. Furthermore, in the summary table of the hypothesis test, the regression coefficient value -0.012022 is also obtained where the value is negative, indicating a negative relationship between OER and ROA as the dependent variable.

The results of this study can also be a guide for assessing a banking company's financial performance, measured explicitly by ROA, which is strongly influenced by the ratio of Operational Efficiency Ratio (OER) owned by the company. According to [22], OER is a ratio that measures a banking company's efficiency and the bank's ability to carry out its operational activities. So, the lower the OER number, the more efficient the company's performance will be, increasing profit or profitability (ROA) in banking companies.

The results of previous research also support the results of this study by [23], which says that OER has a significant negative effect on ROA, and research by [15], which states that if OER has a negative and significant effect on ROA, it means that increasing OER will reduce ROA. And vice versa.

5. CONCLUSIONS AND SUGGESTIONS

The authors conducted this research to examine the effect of the Loan-to-Deposit Ratio, Capital Adequacy Ratio, Debt to Equity Ratio, and Operating Expenses on Operating Income on banking financial performance, which is calculated using Return on Assets (ROA). This study uses the population of banking companies listed on the Indonesia Stock Exchange (IDX) in the 2019-2021 period. The sample selection in this study used a purposive sampling method. In this study, 20 banking companies had entered the criteria described in the previous chapter, so a total sample of 60 banking companies on the IDX was obtained between the 2019 and 2021

periods. In this study, the author uses the help of the software EViews 12 Students Version Lite.

In this study, there are several limitations used. First, this research is only conducted on banking companies that have experienced profits for 3 consecutive years and are listed on the Indonesia Stock Exchange (IDX) in the 2019-2021 period. Second, this study only examines banking companies that went public on the Indonesia Stock Exchange (IDX) during 2019-2021. Third, this study only examines conventional banking listed on the Indonesia Stock Exchange (IDX) in 2019-2021 and does not include syariah banking. Fourth, this study only examines four variables, namely liquidity, capital adequacy, solvency, and efficiency.

Based on research conducted by hypothesis testing, for the F test, the F-count (F-statistics) value is 53.68052, where $>$ from the F-table is 2.540, and the Prob number (F-statistics) is 0.00000 (< 0.05), this means H_0 is rejected, and the independent variable simultaneously affects the dependent variable significantly.

Meanwhile, for the results of the t-test on the first variable, the results obtained in the first independent variable, Loan to Deposit Ratio (LDR), obtained a t-count of 3.514128 $>$ t-table of 2.00404 and prob (t-statistics) of 0.0012 (< 0.05), so that the independent variable LDR is partial does not have a significant and negative effect on the dependent variable ROA.

The second independent variable, Capital Adequacy Ratio (CAR), obtained a t-count of 0.879754 $<$ t-table of 2.00404 and probability (t-statistics) of 0.3848 (> 0.05), so that the independent variable CAR partially has no significant and negative effect on the dependent variable ROA.

Furthermore, the third independent variable, Debt to Equity Ratio (DER), obtained a t-count of 0.251480 $<$ t-table of 2.00404 and probability (t-statistics) of 0.8029 (> 0.05), so the independent variable DER partially has no significant and negative effect on the dependent variable ROA.

Finally, the independent variable Operational Efficiency Ratio (OER) obtained a t-count of -10.43721 $>$ t-table of 2.00404 and probability (t-statistics) of 0.0000 (< 0.05), meaning that the independent variable partially has a significant and negative effect on the dependent variable ROA.

For researchers, this study provides an understanding of the relationship between banking financial performance and financial factors that affect financial performance, especially in banking companies listed on the Indonesia Stock Exchange (IDX). For companies, this research can better understand the links or relationships formed between factors that can affect financial performance in banking. For investors, this research can help provide a new view of the financial performance of banking companies through the influencing financial factors. Furthermore, this research is expected to be useful for academics as a reference for further research

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