

PERFORMANCE ANALYSIS OF ROE, ROA, BOPO, FDR AFTER CONVERSION TO NOM BANK NTB SYARIAH

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Abstract

This study aims to analyze the effect of the performance relationship, analyze the contribution, and find out how long the shock period of each variable is; (1) BOPO, (2) FDR, (3) ROA, and (4) ROE against Net Operating Margin at Bank NTB Syariah. This study uses the Theory of Good Corporate Governance approach, then the data is processed using the VAR-VECM and ECM methods on the EViews 12 application. There are two analysis results in this study, the first through the VAR-VECM analysis and the second through the ECM, the results of the VAR-VECM test in the equation model have not found a balance both in the long and short term, but on the other hand there are shocks experienced by the independent variables. NOM through the dependent variables BOPO, FDR, ROA, and ROE worth 60.93%, 9.83%, 7.54%, and 4.74%. While the response level of the BOPO variable was positively responsive by 0.012992 by the NOM variable and was stable in period 25, for other variables such as FDR, ROA, and ROE the response fluctuated and did not experience value stability. In contrast to the results of the ECM test where in this test the variables that have a long-term effect are the BOPO, ROA, and ROE variables with the probability values of 0.000, 0.0081, and 0.0375 while for the short-term period the variables that have an effect are only the BOPO variable with a probability value that is worth 0.0341.

Keywords: BOPO, FDR, ROA, ROE, NOM, VAR VECM, ECM.

1. INTRODUCTION

The development of the Islamic banking industry, especially in Indonesia, has received a good response from users of Islamic banking services, especially in provinces where the majority of the population adheres to Islam, one of which is the Province of West Nusa Tenggara (NTB) . West Nusa Tenggara Regional Development Bank officially operates fully as Bank NTB Syariah. Bank NTB Syariah is the second Regional Development Bank (BPD) to convert after previously Bank Aceh was successfully converted to Bank Aceh Syariah in 2017 a year before Bank NTB's conversion. Information (Anisah, 2013) suggests the essence of change is that the conditions affected are better than the previous situation, so that the conversion of Bank NTB Syariah is expected to improve regional economic conditions and be able to become

an option for the people of NTB in choosing banking services without having to think about usury. The transition process carried out by Bank NTB Syariah certainly has great motivation as well as obstacles and challenges, starting from the planning process, the change process, and the implementation process at the initial stage. Change in an organization is basically inseparable from the reorganization process and organizational change itself with the main target model of organizational change consisting of changes in attitudes and skills at work, changes in strategy, changes in work roles and changes in technology (Sunaryo, 2017). On the other hand, the conversion of conventional banking to sharia is seen as a form of creation and implementation of a new series, and then the series refers to service processes, products, work processes, markets and policies in the new system (Supeno, 2019). Banking change innovations emerge when creativity and knowledge are put together in a process that produces different outputs than before (Sumual, 2013). The formal legal transformation innovations that are widely used are the transition from conventional banking to Islamic banking, the application of policy transformation realized by management's intention through sharia principles and corporate governance (corporate governance), performance structure, product operations, finance and human resources.

In the decision of the General Meeting of Shareholders on 13 June 2016 which approved PT Bank NTB Syariah to carry out the conversion to Bank NTB Syariah, it provides new hope for strengthening a just populist economy in West Nusa Tenggara. Following this decision, the Bank's conversion process should be carried out through a comprehensive review and following applicable regulations. The conversion process took two years and on September 24 2018 Bank NTB was officially transformed into PT Bank NTB Syariah whose processes and governance are following sharia principles. In line with the banking transformation carried out by Bank NTB Syariah, according to regulations issued by the government through Law No. 21 of 2008 it explains and stipulates that Sharia Business Units (UUS) owned by Conventional Commercial Banks (BUK) must carry out a spin-off no later than 15 years since the issuance of the regulation, in other words, this rule is valid until 2023 so that before the end of that year, the Sharia Business Unit that is in a Conventional Commercial Bank must carry out a spin-off.

Until 2020, Bank NTB's financial performance can be said to have grown well even though several sectors have experienced a decline in the percentage of performance, on the asset side it has increased 22.79% from 2018 to 2019 and 26.59% in 2020, on the equity side it has increased 4.86% in 2019 but decreased by 0.23% in 2020, while on the DPK side it showed quite good progress with an increase of 38.50% in 2019 and followed by 8.69 the following year.

Along with the fluctuating performance of Bank NTB Syariah for the period 2018 to 2020, on the other hand at the ratio level, Bank NTB recorded a significant increase in Return On Assets in 2020 which exceeded the standard of 1.5%, but saw a decrease from the previous year, in terms of Return On Equity, the best results were obtained in 2019, while in 2018 and 2020 the Return On Assets were below standard at 12%, BOPO was observed to have a distribution of results that was not bad enough in the 2018 and 2020 periods, although in the 2019 period it experienced a slight decrease which not too significant from the standard percentage of 80%, the ratio which recorded a perfect score in the position of the FDR ratio which incised a percentage in the last three year period with a value exceeding the minimum percentage of 78%, this indicates that the 2018 2019 and 2020 Bank NTB Syariah periods were able to maintain liquidity so that depositor funds (third party funds) could be managed properly ly , while in the NOM ratio the resulting gain calculation was quite high in the 2018-2019 period and quite low in the 2020 period, which indicates that in the 2020 period Bank NTB Syariah was still not optimal in carrying out operational activities to generate net operating income.

Based on the description above, this study aims to further analyze various index components related to bank resilience through BOPO, FDR, ROA and ROE performance. Furthermore, these experience components will influence or not influence the NOM components, so the research discussion is based on BOPO's performance and influence on NOM, FDR's performance and influence on NOM, ROA's performance and influence on NOM, ROE's performance and influence on NOM. Therefore, the evaluation of NOM's performance is an interesting subject of study. Research, especially at the new Bank NTB Syariah in recent years, the organizational structure model has changed from conventional to sharia

2. METHODOLOGY

In this study the model or technical analysis used is the Vector Autoregressions (VAR) method, Vector Error Correction Model (VECM) and Error Correction Model (ECM) with time series data. Time series data is periodic data or data arranged sequentially based on a time sequence. The VAR-VECM method is a series of methods proposed and developed by Christopher A. Sims in the 1980s. This method is used to look at the relationship (cause and effect) between one dependent variable and one or more independent variables (Ascarya 2009).

Broadly speaking, the discussion used in this method can provide several benefits for its users in the form of:

- Forecasting, extrapolating the value of a variable beyond the range of known data, or finding the current and future values of all variables by utilizing the completeness of past variable information.
- Impulse Response Function (IRF), tracking the current and future responses of each variable due to changes or shocks of a particular variable.
- Forecast Error Decomposition of Variance (FDVs), predicting the contribution of the percentage variance of each variable to changes in a particular variable.

According to Ascarya (2009), systematically the equation of the VAR model can be arranged as follows:

$$x_t = \mu_t + \sum_{i=1}^k A_i X_{t-i} + u_t \quad (1)$$

One of the main things in VAR analysis is that based on the data obtained, it must be stationary or not contain a unit root element (data does not change). Research data that uses time series data usually produces non-stationary values, but the data will be stationary at the first different, as a result, some long-term information is lost. So, the VECM model will help anticipate missing information, while the model equation is as follows:

$$\Delta x_{t-1} = \mu_t + \Pi \sum_{i=1}^k \Gamma_i \Delta X_{t-i} + \varepsilon_t \quad (2)$$

The systematic processing of VAR VECM data can be explained in the figure below as follows:

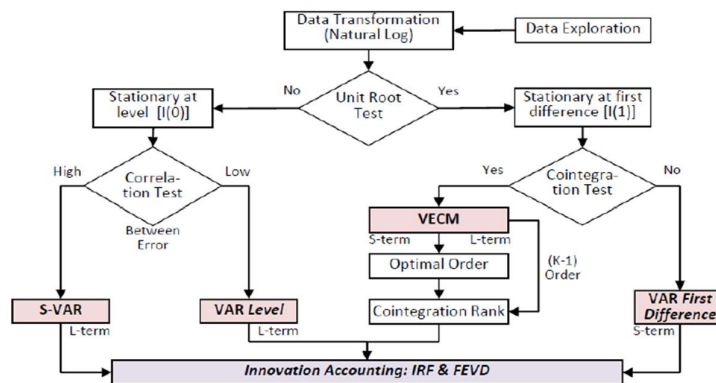


Figure 1 Model of VECM

3. RESULT AND DISCUSSION

The results of the VECM test on the NOM equation model show that the research cannot be said to be toward long-term balance. This is shown by the test results which are still worth zero (0), as well as what is experienced by the short-term balance, the test results are still not significant because the t-table is larger than the t-statistic. Impulse Response Function (IRF) analysis is an analysis that functions to find out how the response of each current and future

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variable to a particular variable and the time period for the variable to respond to shocks until it stabilizes. The results of the IRF analysis will be described as follows:

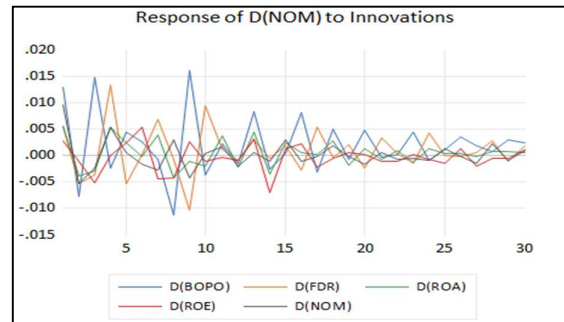


Figure 2. Impulse Response

From the picture above, the NOM ratio responds positively to the BOPO variable shock, while the FDR ROA ROE variable responds to a fluctuating model. The BOPO variable was positively and negatively responded by 0.012992 by NOM and began to stabilize in the 25th period. So when BOPO increased, NOM also experienced an increase and stabilized after 25 months. The NOM variable responds positively and negatively to the FDR variable shock of 0.005619. meaning that if FDR at Bank NTB Syariah has increased, NOM will have decreased and does not show data stability. The ROA variable is positively and negatively responded by 0.005599 by NOM, meaning that if ROA at Bank NTB Syariah has increased, NOM will have decreased and does not show the level of data stability. The ROE variable is positively and negatively responded by NOM of 0.002723 meaning that if ROE at Bank NTB Syariah has increased, NOM will have decreased and does not show the level of data stability.

After analyzing the response elicited from shocks for each variable using Impulse Response analysis, next is the Forecast Error Variance Decomposition analysis which aims to see the contribution of each variable to changes in certain variables. The following is the result of the Forecast Error Variance Decomposition analysis for the NOM equation:

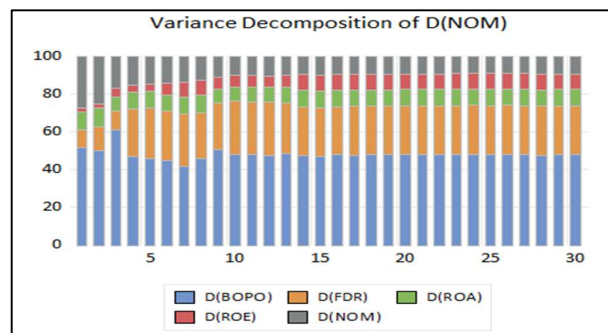


Figure 3 Variance Decomposition

From the picture above it can be seen that 3 variables make a sizable contribution to NOM, BOPO is the variable that makes the largest contribution up to 60.93 percent, then the variable FDR contributes to NOM by 9.85 percent, and the variable ROA contributes 7.54 percent to NOM. While the ROE variable does not make a large contribution, because this variable contributes 4.74 percent. Based on the test results on the VAR-VECM the NOM variable responds positively to the BOPO variable while the FDR ROA ROE variable responds to a fluctuating model.

This was confirmed in the Impulse Response analysis which showed that the BOPO variable responded positively and negatively by 0.012992 by NOM, the NOM variable responded positively and negatively to shocks by the FDR variable by 0.005619, the ROA variable responded positively and negatively by 0.005599 by NOM and the ROE variable responded positively and negatively by NOM of 0.002723. As for the Variance Decomposition analysis, the biggest shock was in the BOPO variable, namely 60.93%, followed by the FDR variable of 9.85%, then the ROA variable of 7.54% and finally the ROE variable of 4.74%.

On the other hand the test results on ECM show that there are differences in the level of long-term and short-term influence periods, where for long-term results the variables that affect NOM are BOPO, ROA, ROE variables where each has probability values of 0.0000, 0.0081, and 0.375. whereas for short-term periods only the BOPO variable influences with a probability value of 0.02.

The following is a graph of the influence of the BOPO variable on the NOM variable.

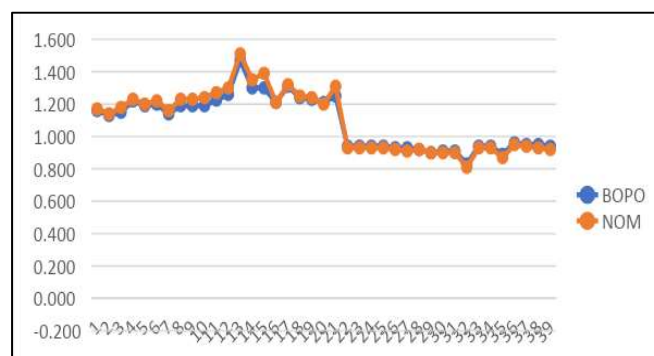


Figure 4Graph of BOPO against NOM

Based on the description above, it can be explained that BOPO has an inverse relationship with NOM. This shows that if BOPO increases, NOM will decrease. This is

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because with an increase in the ability of bank management to control operational costs, it will increase the opportunity for a bank to increase its operating income so that it has an impact on the NOM level. The low BOPO reflects good management quality, because the bank will generate operating income from managing its assets with low operating costs. This research is supported by the research of Junita (2015) and Zikri, Early Ridho Kismawadi, and Khairatun Hisan (2019).

4. CONCLUSION

This study empirically discusses the influence of the dependent variable component Net Operating Margin (NOM) on the independent variables Operating Costs Against Operating Income (BOPO), Financing To Deposit Ratio (FDR), Return On Assets (ROA) and Return On Equity (ROE)). Based on the research that has been done, it can be concluded that the results of the VAR-VECM test on the equation model cannot be said to be towards a long-term balance. This is shown by the test results which still have a value of zero (0), as well as what is experienced by the short-term balance, the test results are still not in a significant position because the t-table is larger than the t-statistic but in the end the variables that provide the contribution of shocks to the net operating margin are the BOPO variable of 60.93%, the FDR variable of 9.83%, the ROA variable of 7.54% and the ROE variable of 4.74%. In contrast to the results of the ECM test on the long-term equation model, the variables that can have an effect are the BOPO, ROA, and ROE variables where each variable shows a probability result of 0.0000, 0.0081, and 0.0375. to see whether there is a long-term relationship or not, the probability value must be less than alpha 5% or 0.05. Meanwhile, the short-term effect is only given by the BOPO variable, which has a probability value of 0.0341 or less than 5% (0.05). meaning that changes in the BOPO variable affect changes in the NOM variable or the BOPO variable in the short term affects the NOM variable. The BOPO variable responded positively by 0.012992 by NOM and began to stabilize in the 25th period. The FDR ROA and ROE variables experienced positive and negative (fluctuating) responses.

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