

The Influence of Capital Adequacy Ratio (CAR) and Net Interest Margin (NIM) on Profitability (Survey on Foreign Exchange Commercial Banks Listed in Indonesia Stock Exchange the Year 2011-2015)

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Article Info	Abstract
Received : 2021-05-22 Accepted : 2022-05-07 Published : 2022-05-31	The study empirically partially the influence of Capital Adequacy Ratio and Net Interest Margin to Profitability (Return On Asset) in listed Foreign Exchange Commercial Banks in Indonesia Stock Exchange from 2011 to 2015. Problems that occur in Foreign Exchange Commercial Banks is the increase Capital Adequacy Ratio and Net Interest Margin but not followed by a rise of the return on assets. The research uses descriptive analysis verification in 24 Foreign Exchange Commercial Banks of sample select by using purposive sampling, so obtained samples 8 Foreign Exchange Commercial Banks with 40 financial reports on listed Foreign Exchange Commercial Banks in Indonesia Stock Exchange from 2011 to 2015. Data analysis technique used is multiple linier regression analysis. These results indicate that the variabel of Capital Adequacy Ratio significantly influence the Profitability (Return On Asset) while Net Interest Margin variabel significantly influence Profitability (Return On Asset) on listed Foreign Exchange Commercial Banks in Indonesia Stock Exchange from 2011 to 2015.
Key words: capital adequacy ratio; net interest margin; profitability; return on asset	

INTRODUCTION

The bank's financial statements show the overall financial condition of the bank. This report will show how the real condition of the bank, weakness and strength in the bank. The report also shows the bank's management performance over a period. According to Wiagustini (2010), profitability demonstrates the company's ability to earn profit or a measure of the effectiveness of the management of the company. The ability to earn profit can be measured from the capital itself as well as from all funds invested into the company. The financial ratios that can be used to measure the level of business efficiency and profitability achieved by the bank in question can be used by using the ratio of return on assets or often called return on assets (Kasmir, 2008). Return On Asset is one of the indicators to measure the company's financial performance that provides information on how efficient a bank is in conducting its business activities because this ratio indicates how much profit can be earned on average against each rupiah asset (Siamat, 2005).

The increasing ROA shows that the company has good prospects in the future because the company has the potential to increase profitability (Putri Warsa & Mustanda, 2016). Therefore, in order to maintain or increase the ROA, it is necessary to pay attention to several factors that affect the return on assets consisting of; Capital Adequacy Ratio (CAR) and Net Interest Margin (NIM). The capital adequacy ratio (CAR) reflects the bank's ability to cover the risk of losses from its activities and the bank's ability to fund its operations (Idroes, 2008). The bigger CAR, the greater the bank's profit. In other words, the less risk a bank has, the greater the profit it gets. (Kuncoro and Suhardjono, 2002). Considering the main activities of banking in principle is to act as an intermediary, namely collecting and disbursing public funds, the bank's costs and operating income are dominated by costs and interest yields (Dendawijaya, 2009).

The Net Interest Margin ratio is also used to measure the ability of bank management to generate income from interest by looking at the bank's performance in channeling credit,

considering the bank's operating income is highly dependent on the difference in interest from the loans disbursed (Mahardian, 2008). Net Interest Margin must be large enough to cover loan losses, securities losses and taxes to be profitable and increase revenue (Veitzhal et al., 2013).

Approaching 2 years OJK: The Journey Towards Stable, Healthy and Competitive Banking. Based on OJK data, there was an increase from the set of Net Interest Margin (NIM) or net interest margin. NIM banking in September 2015 remained at 5.32 percent, much higher than the December 2014 position of only 4.32 percent. Similarly, in terms of banking resilience the minimum Capital Adequacy Ratio (CAR) remained high at 20.62 percent in September 2015. This increased compared to December 2014 which reached 19.57 percent. Meanwhile, Return On Asset (ROA) decreased to 2.31 percent in September 2015. Whereas before, in December 2014, the banking ROA reached 2.85 percent (m.beritasatu.com).

This is due to the decreasing banking profit, from December 2014 which reached Rp 112.16 trillion to Rp 78.2 trillion in September 2015. Head of The Economic risk and Financial System Division of the Deposit Insurance Agency (LPS) Doddy Ariefianto previously explained that economic turmoil in both domestic and global areas was a factor in the slowdown in credit growth. Nevertheless, banks still need regulation that keeps the banking industry stable, despite the volatile domestic and global economic conditions (Rossiana, 2015).

The following table changes Return On Assets (ROA) as a measuring instrument used to measure Profitability of Capital Adequacy Ratio (CAR) and Net Interest Margin (NIM) of National Private Public Banks listed on the Indonesia Stock Exchange in 2011-2015.

Table 1. CAR, NIM and ROA National Private Public Banks Listed on Indonesia Stock Exchange Year 2011-2015(In Percentage)

Banking Sub-Sector	Year	CAR	NIM	ROA
CIMB Niaga	2015	16,28 ↑	5,21	0,24 ↓
	2014	15,58	5,36	1,44
	2013	15,36	5,34	2,76
	2012	15,16	5,87	3,18
	2011	13,16	5,63	2,85
Bank Permata	2015	15,01	3,34 ↑	0,16 ↓
	2014	13,79	2,95	1,10
	2013	14,51	2,91	1,39
	2012	16,73	3,31	1,43
	2011	14,95	3,49	1,54
Bank Nusantara Parahyangan	2015	18,07 ↑	6,01 ↑	1,05 ↓
	2014	16,60	5,29	1,37
	2013	15,75	5,09	1,42
	2012	12,17	5,46	1,40
	2011	13,44	5,38	1,40

Source: Indonesia Stock Exchange

In table 1 above, it can be seen that there is a decrease in Return On Asset in PT. Bank Nusantara Parahyangan Tbk and PT. Bank CIMB Niaga Tbk in 2013-2015. The phenomenon that occurred at Bank Nusantara Parahyangan and Bank CIMB Niaga is the increase in Capital Adequacy Ratio (CAR) that occurred for 3 consecutive years (2013-2015). Return On Asset (ROA) should also increase but the reality is not appropriate that the increase in Capital Adequacy Ratio (CAR) is not followed by an increase in Return On Asset (ROA). The higher the Capital Adequacy Ratio indicates that the bank has sufficient capital to support its needs and the better the bank is at risk from any credit or productive assets that are at risk. However, in 2013-2015 Return On Asset decreased. This is because PT. Bank Nusantara Parahyangan Tbk and PT Bank CIMB Niaga Tbk have not been able to control the increase in capital adequacy efficiently so that the increase in capital adequacy cannot increase the bank's profit. This phenomenon is inversely proportional to the theory of Kuncoro and Suhardjono (2002) The bigger CAR, the bigger the bank's profit. In other words, the less risk a bank has, the greater the profit it gets. If the capital adequacy ratio is high then the bank is able to finance its operational

activities and favorable circumstances (the bank's business is increasingly stable due to stable public confidence) can contribute substantially to the profitability of the bank.

Based on the background description above, the authors are interested in examining how much capital Adequacy Ratio affects profitability and how much Net Interest Margin affects profitability in banking companies.

LITERATURE REVIEW

Profitability

According to Kasmir (2013) states the profitability ratio is a ratio to assess the company's ability to make a profit. This ratio also provides a measure of the effectiveness of a company's management. Meanwhile, Fahmi (2014) stated that this ratio measures the overall effectiveness of management aimed at the small level of profit gained in relation to sales and investments. The better the profitabilitas ratio, the better it describes the high profitability of the company."

Return On Asset

According to Pandia (2012) Return On Asset (ROA) shows a comparison between profit and total bank assets and this ratio shows the level of efficiency of asset management. ROA is an indicator of the ability of banks to obtain a return on a number of assets owned by banks. This ratio is formulated according to Pandia (2012) as follows:

$$ROA = \frac{\text{Earning Before Tax}}{\text{Amount Asset}} \times 100\%$$

Capital Adequacy Ratio (CAR)

According to Kuncoro and Suhardjono (2011) stated the Capital Adequacy Ratio (CAR) is a capital adequacy that demonstrates the bank's ability to maintain sufficient capital and the ability of bank management in identifying, measuring, monitoring and controlling risks arising that can affect the amount of bank capital. According to Darmawi (2012) stated about the understanding of Capital Adequacy Ratio is Please note that Capital Adequacy Ratio is a comparison between capital and assets weighted according to risk. So that the Capital Adequacy Ratio (CAR) can be calculated with the following formula:

$$CAR = \frac{\text{Amount Capital}}{\text{average weighted assets}} \times 100\%$$

Net Interest Margin (NIM)

According to Pandia (2012) Net Interest Margin (NIM) is a ratio that shows the comparison between net interest income and average productive assets owned by banks in order to manage their productive assets to generate net interest income. Meanwhile, according to Veitzal et al., (2012) Net Interest Margin (NIM) is a ratio that shows the ability of earning assets in generating net interest income. Net interest income obtained by looking at the income statement of post income (expenses) interest income (expenses) in the Form net interest margin (NIM) according to Veitzal, et al., (2012) are as follows:

$$NET = \frac{\text{Net Interest Income}}{\text{Average Production Assets}} \times 100\%$$

Source: Veitzal at al (2012)

Previous Research

The greater net interest margin achieved by a bank will increase interest income on productive assets managed by the bank concerned, so that the bank's profit (ROA) will increase (Dewi et al., 2015). A. A Alit Wahyu Dwi Pranata (2015) stated that based on the discussion in the previous chapter, it can be concluded that capital adequacy ratio (CAR) has a positive effect on

profitability. In addition, research conducted by Atmaja Negara & Sujana (2014) stated that the Capital Adequacy Ratio (CAR) has no effect on Return On Asset (ROA).

Indrayani, et al., (2016) stated that Net Interest Margin (NIM) has a positive and partially significant effect on ROA. In addition, research conducted by Almadany (2012) states that it can partially be known that Net Interest Margin (NIM) has no significant effect on ROA.

Hypothesis Development

Effect of Capital Adequacy Ratio on Profitability

The theory that states the influence between capital adequacy ratio (CAR) and profitability (ROA), stated by Kuncoro and Suhardjono (2011) namely the greater CAR, the bank's profit will also be greater. In other words, the less risk a bank has, the greater the profit it gets.

This is supported by research from Agbeja, O (Pg.D), Adelakun, and OJ Olufemi (2015) which states there is a significant relationship between capital adequacy ratio and bank profitability. In addition, research conducted by A.A. Alit Wahyu Dwi Pranata (2015) stated that based on the discussion in the previous chapter, it can be concluded that capital adequacy ratio (CAR) has a positive effect on profitability. The higher the Capital Adequacy Ratio (CAR), the higher the Return On Asset (ROA). We can take the following hypothesis:

Ha₁: Capital Adequacy Ratio (CAR) affects Profitability.

Effect of Net Interest Margin on Profitability

The theory that states the influence of Net Interest Margin and Return On Asset according to Pandia (2012) which says that From providing financing / credit to the public, banks will get income / interest from the borrowers. This interest is the main source of income from a bank. Therefore, if the bank's revenue increases, the company is able to earn a greater profit (ROA). This is supported by the results of research conducted by Indrayani, et al., (2016) which showed there is a positive and partially significant influence of NIM on ROA on Commercial Banks Listed on the Indonesia Stock Exchange in 2014. So with the high NIM ratio, the profitability (ROA) of banks will also increase. In a study conducted by Lartey, et al., (2013) stated that there is a positive influence between Net Interest Margin (NIM) and Return On Asset (ROA). Which means that the higher the Net Interest Margin (NIM) the higher the Return On Asset (ROA) on the Bank in Ghana.

Ha₂: Net Interest Margin (NIM) affects Profitability.

Based on the explanation above, a research model can be drawn as follows:

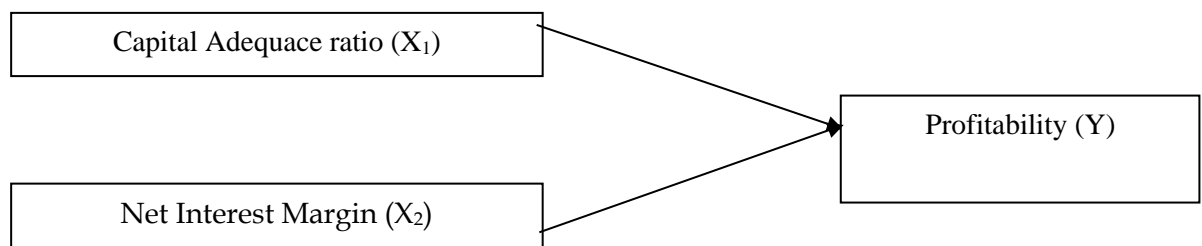


Figure 2

Source: Developed by the authors, 2017

METHODS

The method used in this study is descriptive and verifictative with quantitative approach. The authors use descriptive, verifictative methods, because this study is intended to clearly describe how the influence of Capital Adequacy Ratio (CAR) and Net Interest Margin (NIM) on Profitability (ROA) on National Private Public Banks listed on the Indonesia Stock Exchange.

Data

The data source taken in this study is a secondary data source, where the data obtained by the author is data obtained indirectly, meaning that the data is the second data that has been further processed and the data presented by other parties. The data used in the form of bank financial statements for the last 5 years from 2011 to 2015 at the National Private Public Bank of Foreign Exchange published on the Indonesia Stock Exchange was obtained from the www.idx.co.id and representative office of IDX Bandung which is located at Jl. PH.H. Mustofa No. 33 Bandung. The population in this study is 120 financial statements consisting of financial position statements, profit and loss statements and notes on financial statements at the National Private Public Bank of Foreign Exchange listed on the Indonesia Stock Exchange as many as 24, financial statements for 5 periods. According to Sugiyono (2013) defines purposive sampling is a technique of determining sample data with certain considerations. The reason for the selection of samples using purposive sampling technique is financial statements consisting of financial position statements, income statements and CALK from 8 companies that are consistently classified in the National Private Public Bank of Foreign Exchange on the Indonesia Stock Exchange (IDX) in accordance with the criteria. The observation year used in this study for 5 consecutive years, namely from 2011-2015 for financial statements, because it has been considered representative (representative) for research tests the sample used in this study is as many as 40 company financial statements consisting of financial position statements and profit and loss statements (8 x 5), because it is considered representative for research tests.

Operational Definition of Variables and Variable Measurements

The independent variables in this study were capital adequacy ratio (X_1) and Net Interest Margin (X_2). Capital Adequacy Ratio (CAR) is one way to test the adequacy of capital is to look at the ratio of that capital to various assets of the bank in question. (Darmawi 2012).

$$CAR = \frac{\text{Amount Capital}}{\text{average weighted assets}} \times 100\%$$

Net Interest Margin (NIM) is a ratio that shows the ability of earning assets in generating net interest income. Net interest income is obtained by looking at the statement of postal income income (expenses) net interest (Veithzal, 2012) Hence, the measurement can be seen as follows:

$$NET = \frac{\text{Net Interest Income}}{\text{Average Production Assets}} \times 100\%$$

This research that becomes a dependent variable is Profitability (Y). Return On Asset (ROA) shows a comparison between profit and total bank assets and this ratio shows the level of efficiency of asset management. ROA is an indicator of the ability of banks to obtain a return on a number of assets owned by banks. (Pandia, 2012)

$$ROA = \frac{\text{Earning Before Tax}}{\text{Amount Asset}} \times 100\%$$

Data Analysis

Researchers used statistical methods of multiple analysis and correlation. Calculation with these statistical methods using the computer program Statistical Program for Social Science (SPSS). A method of testing data on descriptive statistics is a statistic that provides an overview or description of a data viewed from average, standard deviation, variance, maximum, minimum, kurtosis, skewness (distribution grip). Descriptive statistics describe data as clearer and easier to understand. In performing statistical analysis there are several statistical testing steps that must be done. The steps are as follows. 1) Multiple Linear Regression Analysis.

Regression analysis became a tool to measure how independent variables affect dependent variables in research. Some classic regression assumptions must be met first before using Multiple Linear Regression as a tool to analyze the influence of the variables studied. There are four types of tests in this classic assumption test, including: a) Normality Test, b) Multicollinearity Test, c) Heteroscedasticity Test, d) Autocorrelation Test. 2) Correlation Analysis. This correlation analysis is used to determine the strength of the relationship between the correlation of the two variables (independent and dependent) and the size used to determine the degree or strength of the correlation relationship. 3) Analysis of Determination Coefficient. Determination coefficient analysis (KD) is used to see how much an independent variable (X) affects a dependent variable (Y) expressed in percentages. 4) Hypothesis Testing. The design of this research hypothesis test to test whether or not there is an influence between independent variables (X) and dependent variables (Y) a) If $t_{\text{count}} \geq t_{\text{table}}$ than H_0 is in the rejection area, ha means acceptable means between variable X and variable Y have an effect. b) If $t_{\text{count}} \leq t_{\text{table}}$ then H_0 is in the receiving area, meaning H_a is rejected meaning between variable X and variable Y has no effect.

RESULTS

Results

Multiple linear regression analysis with the first conducted a classic assumption test consisting of normality test, multicollinearity test, heteroscedasticity test and autocorrelation test. The test was conducted with the help of SPSS Version 16.0 software.

Classic Assumption Test

To obtain more accurate results and unbiased regression models or Best Linear Unbiased Estimator (BLUE) regression models on multiple linear regression analysis, it is necessary to test classic assumptions first. This assumption test consists of four tests, namely normality test, multicollinearity test (for multiple linear regression), heteroscedasticities test and autocorrelation test (for time series data). As for the four classic assumption tests it is as follows:

1. Normality Test

Normality tests are useful to determine whether a variable is independent or dependent or both are normally distributed, close to normal, or not. If the data is normally distributed, then the regression model can be used. To detect whether the data is normally distributed or not can be seen using the Kolmogorov Smirnov method with the following conditions:

- If the probability of > 0.05 then the distribution of the population is normal.
- If the probability of < 0.05 then the distributin of the population is abnormal.

Table 2. Data Normality Test Results

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		40
Normal Parameters ^a	Mean	.0000000
	Std. Deviation	.00581774
Most Extreme Differences	Absolute	.120
	Positive	.073
	Negative	-.120
Kolmogorov-Smirnov Z		.759
Asymp. Sig. (2-tailed)		.612

a. Test distribution is Normal.

From the results of the normality test of the data presented in the table 2, it is seen that the probability value (sig) obtained by residual variables is $0.612 > 0.05$ which indicates that the data used has a normal spread. In other words, the assumption of normality of data is met.

2. Multicollinearity Test

A good regression model is that there is no multicollinearity or no correlation between independent variables. To see the value of multicollinearity can be seen with the value of tolerance and variance inflation factor (VIF). If the tolerance value > 0.10 and $VIF < 10$, then there is no multicollinearity. On the contrary, if the tolerance < 0.10 and $VIF > 10$ then multicollinearity occurs. From the data processing that has been done, obtained the results of multico-co-ordistity test as follows:

Table 3. Multicollinearity Test Results

		Coefficients ^a	
		Collinearity Statistics	
Model		Tolerance	VIF
1	(Constant)		
	CAR	.925	1.081
	NIM	.925	1.081

a. Dependent Variable: ROA

The table 3 shows the results of the data multi-collocity test. From the data presented in the table above, it is seen that the tolerance value obtained by the two free variables is $0.925 > 0.1$ and the variance inflation factor (VIF) is 1,081 less than 10. This indicates that there is no strong correlation between free variables or no problem with multicollinearity.

3. Heteroskedasticity Test

An unprospective regression model is a model of heteroscedasticity. To detect the presence or absence of violations of heteroscedasticity, it can be seen by using the scatter plot method with the following conditions:

- If there are certain patterns such as points that exist to form a certain pattern that is regular (wavy, widened, then narrowed) then there has been heteroscedasticity.
- If there is no clear pattern and the dots spread above and below zero on the Y axis then there is no heteroscedasticity.

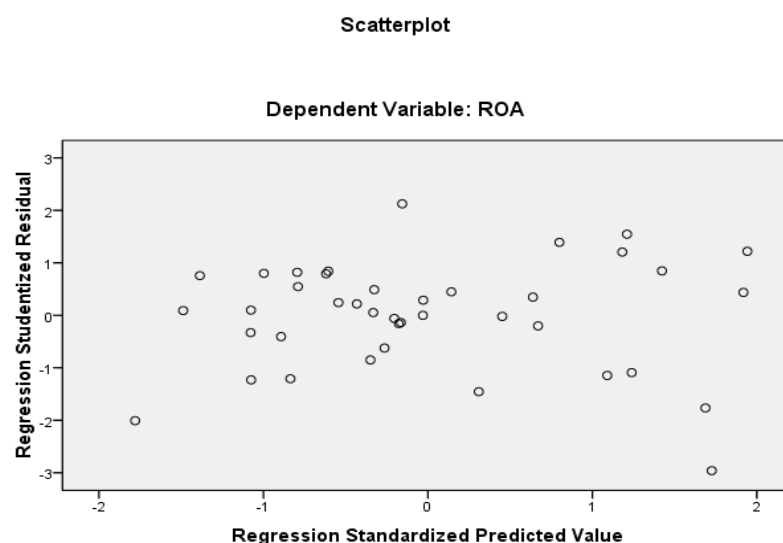


Figure 2. Scatterplots Chart

In Figure 2 it appears that the dots spread randomly and are scattered both above and below the number 0 on the Y axis.

4. Autocorrelation Test

Autocorrelations arise because sequential observations over time are related to each other. This problem arises because the residual error is not free from one observation to another. To detect the presence or absence of autocorrelation violations, durbin watson test is used with criteria if Durbin Watson value is between 1 and 3, then it is stated that it has no autocorrelation problem, (Sarwono, 2012)

Table 4. Autocorrelation Test Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.754 ^a	.568	.545	.0059729	1.902

a. Predictors: (Constant), NIM, CAR

b. Dependent Variable: ROA

Based on the table 4, it is known that the value of Durbin Watson obtained is 1,902. This value is between 1 and 3. In accordance with the testing criteria it can be said that the data used has no autocorrelation problems, be it positive autocorrelation or negative autocorrelation.

Multiple Linear Regression Analysis

The results of the calculation of multiple linear regression coefficients using spss software help version 16.0 are as follows:

Table 5. Multiple Linear Regression Equations

Coefficients ^a					
Model	Unstandardized Coefficients			T	Sig.
	B	Std. Error	Beta		
1	(Constant)	.018	.005	3.425	.002
	CAR	.143	.030	.529	.4704
	NIM	.171	.047	.412	3.662

a. Dependent Variable: ROA

From the output table 5 obtained a value of 0.018, β_1 of 0.143 and β_2 of 0.171. Thus, the multiple linear regression equations that will be formed are as follows:

$$Y = 0,018 + 0,143 X_1 + 0,171 X_2$$

Correlation Analysis

Using SPSS software, the results of correlation analysis between Capital Adequacy Ratio (CAR) and Net Interest Margin (NIM) with Profitability (ROA) are as follows:

Table 6. Partial Correlation Analysis Results

Correlations		ROA
CAR	Pearson Correlation	.641**
	Sig. (2-tailed)	.000
	N	40
NIM	Pearson Correlation	.556**
	Sig. (2-tailed)	.000
	N	40

**, Correlation is significant at the 0.01 level (2-tailed).

Based on the table 6, it is known that the correlation value obtained between capital adequacy ratio (CAR) with profitability (ROA) is 0.641. The correlation value is positively marked indicating that the relationship that occurred is in the same direction. Based on the interpretation of the correlation coefficient of value of 0.641 belongs to the category of strong relationships, being in the class interval between 0.60 – 0.799.

From the table 6 it is seen that the correlation value obtained between Net Interest Margin (NIM) and Profitability (ROA) is 0.556. The positively marked correlation value that indicates the relationship that occurred is in the same direction. Based on the interpretation of the correlation coefficient of value of 0.556 belongs to the category of strong enough relationships, being in the interval class between 0.40-0.599.

Analysis of Determination Coefficients

Table 7. Partial Determination Correlation

		Coefficients ^a	
		Standardized Coefficients	Correlations
Model		Beta	Zero-order
1	(Constant)		
	CAR	.529	.641
	NIM	.412	.556

a. Dependent Variable: ROA

Based on table 7 output is performed the following calculations:

Effect of X1 on Y = $0.529 \times 0.641 = 0.339 \times 100 = 33.9\%$

Effect of X2 on Y = $0.412 \times 0.556 = 0.229 \times 100 = 22.9\%$

From the calculation above, it is seen that CAR (X₁) contributes the most dominantly to ROA (Y) with a contribution of 33.9%, while the other is given by NIM (X₂) with a contribution of 22.9%.

Hypothesis Testing

Table 8. Hypothetical Test Coefficient

Coefficients ^a		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	.018	.005		3.425	.002
	CAR	.143	.030	.529	4.704	.000
	NIM	.171	.047	.412	3.662	.001

a. Dependent Variable: ROA

Based on table 8, it is known that the t_{count} value obtained by Capital Adequacy Ratio is 4,704, outside the value of table (-2,026 and 2,026). In accordance with the hypothesis testing criteria that H_0 was rejected, and H_a accepted, it means that the Capital Adequacy Ratio (CAR) partially affects profitability (ROA). While the value of t_{hitung} obtained by Net Interest Margin is 3,662, outside the value of t_{tabel} (-2,026 and 2,026). In accordance with the hypothesis testing criteria that H_0 was rejected, and H_a accepted, it means that partial net interest margin (NIM) has a significant effect on Profitability (ROA)

DISCUSSION

Effect of Capital Adequacy Ratio (CAR) on Profitability

The test results hypothesized rejecting H_0 which means capital adequacy ratio (CAR) affects Return On Asset. The results of the coefficient of determination showed that the Capital Adequacy Ratio (CAR) had a considerable effect on Return On Assets of 33.9% and the remaining 66.1% was influenced by variables not studied in this study such as NPL, BOPO, LDR and others. Effect of Capital Expenditure Growth on ROA. The statistical results show that capital expenditure has a negative and not significant effect on ROA. A negative sign means that the increase in firms' capital expenditure growth is likely to reduce the firms' ROA. Whereas the decrease in capital expenditure growth is likely to enhance the firms' ROA, but the effect is insignificant. The insignificance of the effect of capital expenditure growth on ROA may be caused by firstly, if the utilization of fixed assets purchased from capital expenditure is not adequately efficient, then the fixed costs per unit of product will increase. This clearly affects the competitiveness of the firms' products in the market, so that it will have an impact on firms' ROA. Second, the mistake in choosing fixed assets will have an adverse effect on the costs per unit, and the selling price. Accordingly, the firms' profit will decline as the firms' competitiveness decreases. The results of this study are in line with the research conducted by Asror (2016) which stated that capital expenditure does not have a significant effect on the firm's financial performance, and the results of this study are not in accordance with Andrian's research (2012) which states that capital expenditure has a significant effect on financial performance. Hartono (2015) found that the current ratio has a significant effect on return on equity in metal subsector manufacturing companies and the like listed on the Indonesia Stock Exchange for the period 2009-2013.

The Effect of Net Interest Margin (NIM) on Profitability

The test result of the hypothesis rejects H_0 which means That Net Interest Margin (NIM) affects Return On Asset. The results of the determination coefficient showed that Net Interest Margin (NIM) had a considerable effect on Return On Asset of 22.9% and the remaining 77.1% was influenced by variables not studied in this study such as NPL, BOPO, LDR and others. The test result of correlation coefficient entered in a fairly strong interval between Net Interest Margin (NIM) and Return On Asset (ROA) and the result of the coefficient is declared positive which means in the direction. It can be said that the higher the Net Interest Margin (NIM) the profitability (ROA) generated will increase. This is in line with research conducted by Indrayani, et al., (2016) which showed there is a partial influence of NIM on ROA on

Commercial Banks Listed on the Indonesia Stock Exchange in 2014. Lartey, et al., (2013) stated that there is an influence between Net Interest Margin (NIM) and Return On Asset (ROA). Which means that the higher the Net Interest Margin (NIM) the higher the Return On Asset (ROA) on the Bank in Ghana. Muhammad Ali and Roosaleh Laksono Triyuliawan (2017) found the results showed that Net Interest Margin (NIM), Operational Cost/Operating Income (BOPO), Loan to Deposit Ratio (LDR), and Non-Performing Loan (NPL) have an effect on Return On Assets (ROA). Sugiantari and Dana (2019) the results showed that the Net Interest Margin had a positive and significant effect on ROA

CONCLUSIONS AND SUGGESTIONS

Conclusion

For further researchers, it is expected to re-examine other factors that affect firms' ROA, because in this study the independent variables used were only sales growth, capital expenditure growth, receivable turnover, and DER as moderating variables. It is also expected to use more diverse proxies in identifying improvements in the firms' ROA in order to obtain more perfect results. For firms, they should really utilize the assets owned by the firms in order to improve their ROA. Net Interest Margin (NIM) affects profitability (ROA) at The National Private Public Bank of Foreign Exchange listed on the Indonesia Stock Exchange in 2011-2015, where the higher the Net Interest Margin (NIM) the profitability (ROA) generated will increase. Similarly, the lower the Net Interest Margin (NIM), the profitability (ROA) produced will decrease further. What affects Net Interest Margin (NIM) is net interest income and productive assets. Net interest income is affected by interest income and interest expense. And that affects productive assets one of which is the provision of credit. Increased lending will increase net interest income, resulting in increased return on assets.

Suggestion

For National Private Public Banks foreign exchange which has decreased in Profitability (ROA) due to banks that have increased in the cost of funds incurred for the use of money sourced from other parties (customers). So the profit owned by the bank has decreased and will have an impact on profitability (ROA). It is recommended that companies put an emphasis on the cost of funds, improve and maintain the quality of their assets. So that the low costs incurred and the increase in assets owned will contribute a considerable amount to profitability (Return on assets). For National Private Public Banks foreign exchange which has decreased in Profitability (ROA) due to banks that have increased in the cost of funds incurred for the use of money sourced from other parties (customers). So, the profit owned by the bank has decreased and will have an impact on profitability (ROA).

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