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RISK PROFILE, GCG, EARNINGS, CAPITAL, PROFITABILITY, THE HEALTH of BUMN BANKS LISTED on THE IDX

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ABSTRACT

This study aims to determine the effect of research variables on profitability. The ratios used in this study are Risk Profile, Good Corporate Governance, Earnings and Capital as independent variables while the dependent variable in this study is Profitability. The population of this study is state-owned banks listed on the Indonesia Stock Exchange in 2015-2022. The sample selection was carried out by purposive sampling method and from 47 banks listed on the IDX obtained 4 samples of BUMN banks. The data used is secondary data. The analysis technique used is the classic assumption test, multiple regression analysis and hypothesis testing. Based on the results of the analysis it can be concluded that the Risk Profile, Good Corporate Governance, Earnings and Capital variables simultaneously affect Profitability, In this study it can be seen that the Earnings variable is the most dominant variable on Profitability.

Keywords: Risk Profile, Good Corporate Governance, Earnings, Capital and Profitability

INTRODUCTION

A country cannot be separated in carrying out its economic activities from the role of the banking sector. Banking itself has an important role and is also very vital which is very influential in the wheels of sustainability to support a brilliant economy in the country of Indonesia. With the provision of loans, banks have helped stimulate investment and economic growth. In this case, banks provide a valuable influence because they can help in the problem of financing small and medium scale businesses, which are important economic resources for Indonesia itself.

The definition of a bank when viewed from Law Number 10 of 1998 of the Republic of Indonesia is as follows: "A business entity that has the responsibility to collect funds in the form of deposits from the public, then channel the funds back to the public in the form of credit or other forms of credit, with the aim of improving the welfare of the community".

There are many types of banking in Indonesia itself, some are from private banks and some are from government-owned banks. But of the many banks must have their own advantages and disadvantages. And the public certainly does not all put their funds in just one bank but can be in many banks. But what needs to be considered is the health of the bank itself. Because the health of a bank is very important, people will think that they must deposit their funds in a bank that is considered healthy and trustworthy. Banks owned by the government are even more trusted by the public to save their funds because they feel that they have been guaranteed by their country.

In Law of the Republic of Indonesia Number 19 of 2003 concerning State-Owned Enterprises, it has also been explained that "State-Owned Enterprises (BUMN) are business entities whose capital is wholly or mostly owned by the government as a direct part of the separated state assets"

In Indonesia, there are four SOEs in the banking sector whose capital is traded on the Indonesia Stock Exchange (IDX), including PT Bank Mandiri (Persero) Tbk, PT Bank Negara Indonesia (Persero) Tbk, PT Bank Rakyat Indonesia (Persero) Tbk, and PT Bank Tabungan Negara (Persero) Tbk.

The number of banks spread across Indonesia, both private and government-owned, creates potential concerns for these banks in maintaining customer loyalty so that they continue to choose the bank and do not switch to other financial institutions. In addition, this is also a concern for banks in attracting new customers, as they must improve the quality, trust, performance, and optimization of their management.

However, what needs to be underlined is that there must be a strong strategy where BUMN Banks are of course to maintain full trust from the public, especially to customers. Therefore, BUMN Banks need to improve performance both in terms of financial performance and in terms of optimal management management which is used in addition to obtaining overall profitability in the hope of carrying out the banking function properly and being able to provide excellent service and full trust to all customers of course. As a business entity, the bank was established to make a profit so that the assessment of profitability in measuring the health level of the bank becomes very important

Profitability has a vital role in assessing the extent to which a bank is efficient and profitable in carrying out its operational activities (Kasmir, 2019). Profitability also plays a crucial role in enhancing a bank's reputation, creating win-win solutions for banks and stakeholders, especially investors (Adedeji and Adedeji, 2018). In the context of measuring profitability in the banking sector, common metrics include Return on Asset (ROA) and Return on Equity (ROE).

ROA is used as an indicator to measure the level of efficiency of a bank in utilizing its assets to achieve profits (Puspitasari et al., 2021). If the bank's ROA value is higher, it shows that the bank is able to manage its assets more efficiently to create profits.

Meanwhile, ROE is used to monitor the development of the company and its ability to develop capital from investors and shareholders (Fatihat, 2021). If the ROE value is higher, it means that the bank's net profit is also increasing, reflecting the bank's better health.

The Financial Services Authority (OJK) Regulation No. 4/POJK.03/2016 has set out the provisions related to bank health evaluation. This regulation explains that banks have the obligation to conduct a self-assessment of their soundness, in accordance with the mandate of Article 2 paragraph (3) which emphasizes that banks must evaluate their soundness on an individual basis using a risk approach known as Risk-based Bank Rating. This approach involves a comprehensive analysis of several factors, including Risk Profile, Good Corporate Governance (GCG), Rentability, and Capital.

In evaluating the risk profile, the original risk and the level of risk management implementation in banking operations are analyzed. Of the eight inherent risks owned by banks, only two of them can be measured using financial indicators, namely credit risk and liquidity risk (Swandewi and Purnawati, 2021). Credit risk includes potential losses that may be experienced by the bank if the borrower (debtor) cannot fulfill its obligations. In addition, credit risk is also related to potential losses arising from the inability to fulfill these obligations. Evaluation of credit risk can be done using the NPL ratio. If the NPL ratio is high, the bank's risk of loss also increases; conversely, if the NPL

ratio is low, this indicates that the credit risk provided by the bank is also low (Singh et al., 2021).

Liquidity risk arises when a financial institution cannot fulfill its obligations to other parties, and can be assessed through the use of Loan to Deposit Ratio (LDR). The loan to deposit ratio (LDR) is used as an indicator of liquidity risk, where a high LDR indicates a higher level of liquidity risk for the bank. Increased liquidity risk can occur because the bank has difficulty fulfilling its obligations due to lack of funds to pay to third parties, indicating that the bank is experiencing illiquidity (Saleh and Winarso, 2021).

Good Corporate Governance (GCG) assessment involves evaluating the quality of bank management based on good governance principles. The implementation of GCG is useful for increasing company efficiency, especially in the quality of financial reporting, and can also reduce the potential for manipulation of financial statement data by managers (Subdarmanto, 2021).

Manipulation of data in financial statements is inappropriate and can have a negative impact. Therefore, the implementation of GRC is essential to prevent any actions that are detrimental to the bank itself. Evaluation of the profitability factor involves assessing the performance, resources, viability, and management of the bank's profitability. Bank profitability includes operational performance and profitability, where operational results reflect the bank's ability to manage operating costs and earn revenue. In this context, the study uses the ratio of operating expenses to operating income (BOPO) as a tool to assess the effectiveness and efficiency of the use of production factors by bank management.

Capital assessment involves evaluating the adequacy of capital and the management of that capital. Capital adequacy is a crucial aspect and one that needs to be taken into account by banks, as the success of operational activities is highly dependent on the extent to which capital is sufficient to support these activities. Evaluation of the level of capital adequacy can be done using the Capital Adequacy Ratio (CAR), which calculates the ratio of capital to Risk Weighted Assets (RWA). RWA reflects the value of bank assets after adjusting for the risks faced by the bank (Sravanthi, 2021).

From the explanation above, researchers are interested in conducting a study with the title Effect of Risk Profile, Good Corporate Governance, Profit, and Capital (RGEC) on Profitability by Assessing the Financial Health of State-Owned Banks listed on the Indonesia Stock Exchange in the period 2015-2022. The reason behind the researcher's choice to focus on banks that manage state assets is visible from the share ownership, where the shares owned by the state are greater than those owned by the public. In addition, state-owned banks, such as Bank Negara Indonesia, Bank Rakyat Indonesia, Bank Mandiri, and Bank Tabungan Negara, have significant total assets, third-party funds, and loans. Given the important role of banking in Indonesia, improving bank performance is a must in order to create a healthy and efficient banking system.

RESEARCH METHODS

This research applies a quantitative research approach (Creswell, 2021). The population in focus is banks owned by State-Owned Enterprises (BUMN) listed on the Indonesia Stock Exchange in the period 2015 to 2020. The sampling process was carried out using purposive sampling method, where certain criteria were considered in accordance with the research objectives. The criteria include banking sector

companies listed on the Indonesia Stock Exchange during 2015-2022 and non-SOE banking sector companies that are also listed on the Indonesia Stock Exchange during the same period.

The data used in this study is secondary, which means that the data is not obtained directly by researchers. However, in this context, secondary data is obtained through documented financial reports on the Indonesia Stock Exchange (IDX) and can be accessed through the official website http://www.idx.co.id The data source also involves the official website of each company, such as https://www.bni.co.id/id-id/ , https://bankmandiri.co.id/, https://bri.co.id/, https://www.btn.co.id/. The data analysis technique used involves SPSS 25 software with the application of classical assumption tests, multiple regression analysis, and hypothesis testing.

RESULTS AND DISCUSSION

Descriptive Statistics Test

Table 1
Descriptive Statistics Test Results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Risk Profile	32	2	3	2.44	.471
Good Corporate Governance	32	1	2	1.75	.440
Earnings	32	1	4	1.16	.574
Capital	32	1	1	1.00	.000
Profitability	32	1	3	1.56	.759
Valid N (listwise)	32				

Source: SPSS 25 Statistical Results (Researcher, 2024)

Table 1 shows that the results are as follows: The *Risk Profile* variable (X1) shows the minimum value of 2, the maximum value of 3 with an average of 2.44 and a standard deviation of 0.47122. The *Good Corporate Governance* (X2) variable shows the minimum value of 1, the maximum value of 2 with an average of 1.75 and a standard deviation of 0.440. *The Earnings* variable (X3) shows that the minimum value is 1 maximum value of 4 with an average of 1.16 and a standard deviation of 0.574. The *Capital* variable (X4) shows that the minimum value is 1 maximum value of 1 with an average of 1.00 and a standard deviation of 0.000. The Profitability variable (Y) shows that the minimum value is 1 maximum value of 3 with an average of 1.56 and a standard deviation of 0.759.

Classical Assumption Test

Normality Test

Table 2

Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		32
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.55989415
Most Extreme Differences	Absolute	.187
	Positive	.187
	Negative	-.139
Test Statistic		.187
Asymp. Sig. (2-tailed)		.006[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Source: SPSS 25 Statistical Results (Researcher, 2024)

The data processing in table 2 shows that the residual value is normally distributed because the magnitude of the One-Sample Kolmogorov-Smirnov test is 0.0187 with a significance of 0.006 which is more than the value of a = 0.05.

Multicollinearity Test

Table 3
Multicollinearity Test Results

Coefficients[a]							
	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	-1.191	.727		-1.639	.113		
Risk Profile	.395	.235	.256	1.684	.104	.872	1.146
Good Corporate Governance	.111	.258	.064	.429	.671	.898	1.114
Earnings	1.392	.619	.543	2.249	.033	.345	2.894
Capital	1.714E-16	.735	.000	.000	1.000	.356	2.813

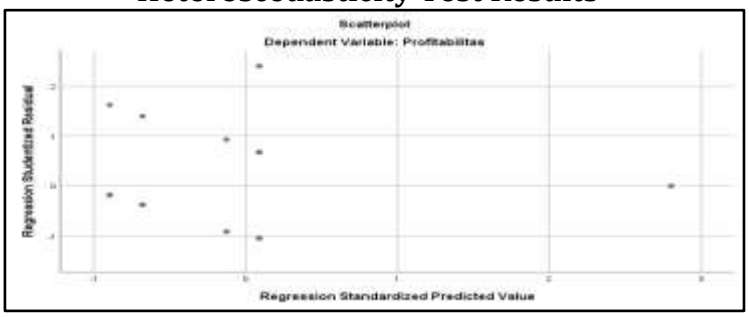
a. Dependent Variable: Profitability

Source: SPSS 25 Statistical Results (Researcher, 2024)

Table 3 above shows that the independent variables do not occur multicollinearity, because the tolerance calculation of each independent variable is not less than 0.10. In the Variance Inflation Factor (VIF) value which shows the results of each independent variable that is not more than 10. So, it can be said that there is no multicollinearity between the independent variables in the model.

Heteroscedasticity Test

Table 4
Heteroscedasticity Test Results



Source: SPSS 25 Statistical Results (Researcher, 2024)

Table 4 shows that the regression model does not have symptoms of heteroscedasticity. This is because the points on the Y axis are randomly scattered both above and below the number 0 and do not form a pattern, so it is said that this model does not show symptoms of heteroscedasticity.

Autocorrelation Test

Table 5
Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.505[a]	.255	.140	.35030	2.244

a. Predictors: (Constant), Capital, Risk Profile, Good Corporate Governance, Earnings

b. Dependent Variable: Profitability

Source: SPSS 25 Statistical Results (Researcher, 2024)

In table 5 above, it can be seen that the Durbin Watson (DW) value is 2.244. From the calculations carried out, the value DU < DW < 4 - DU = 1.7323 < 2.244 < 2.2677, which indicates that there is no autocorrelation. Therefore, it can be concluded that the regression model is considered good.

Hypothesis Test

Simultaneous Test (F)

Table 6
Simultaneous Test (F)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.322	4	4.081	70.961	.000[b]
	Residuals	1.553	27	.058		
	Total	17.875	31			

a. Dependent Variable: Profitability

b. Predictors: (Constant), Capital, Risk Profile, Good Corporate Governance, Earnings

Source: SPSS 25 Statistical Results (Researcher, 2024)

Based on table 6 above, the Fcount of 70.961 is greater than Ftable 2.74 with a significance level of <0.000, so H $_0$ is rejected and H $_1$ is not rejected.

T test (Partial test)

Table 7
Results of the t-test

Coefficients[a]

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	-1.335	.289		-4.616	.000
Risk Profile	.518	.091	.393	5.713	.000
Good Corporate Governance	.272	.099	.190	2.755	.010
Earnings	2.010	.217	.784	9.263	.000
Capital	-1.070	.209	-.436	-5.107	.000

a. Dependent Variable: Profitability

Source: SPSS 25 Statistical Results (Researcher, 2024)

Based on table 7 above, the research hypothesis can be concluded as follows:

1. First Hypothesis Test (H1): The test results show the beta coefficient value for the *Risk Profile* variable is 5.713 with a significance level of 0.000 <0.05. Therefore, H0 is rejected and H1 is accepted. This means that the variable (X1) *Risk Profile* has a partial and significant effect on the variable (Y) Profitability.
2. Second Hypothesis Test (H2): From the test, the beta coefficient value for the *Good Corporate Governance* variable is 2.755 with a significance level of 0.000 <0.05. This indicates rejection of H0 and acceptance of H1. Thus, the variable (X2) *Good Corporate Governance* has a partial and significant effect on (Y) Profitability.
3. Third Hypothesis Test (H3): The test results show the beta coefficient value for the Earnings variable is 9.263 with a significance level of 0.000 <0.05. Therefore, H0 is rejected and H1 is accepted, indicating that the variable (X3) *Earnings* has a partial and significant effect on (Y) Profitability.
4. Fourth Hypothesis Test (H4): The test results show that the beta coefficient value for the *Capital* variable is -5.107 with a significance level of 0.000 < 0.05. This means that the rejection of H0 and acceptance of H1, indicating that the variable (X4) *Capital* has a partial and significant effect on (Y) Profitability.

Dominance Test

Table 8
Dominance Test Results

Coefficients[a]

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	-1.335	.289		-4.616	.000
Risk Profile	.518	.091	.393	5.713	.000
Good Corporate Governance	.272	.099	.190	2.755	.010
Earnings	2.010	.217	.784	9.263	.000
Capital	-1.070	.209	-.436	-5.107	.000

a. Dependent Variable: Profitability

Source: SPSS 25 Statistical Results (Researcher, 2024)

By referring to Table 8 above, it can be observed that the variable (X3) *Earnings* is more dominant because the beta coefficient value is 0.784 and the t value is 9.623. This means that H0 is accepted and H1 is rejected. That is, that the variable (X2) *Good Corporate Governance* has a partial and significant effect on (Y) *Profitability* greater when compared to the variables X1 *Risk Profile*, X2 *Good Corporate Governance* and X4 *Capital.*

Multiple Linear Regression Analysis Test

Table 9
Multiple Linear Regression Analysis Test Results

Coefficients[a]

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	-1.335	.289		-4.616	.000
Risk Profile	.518	.091	.393	5.713	.000
Good Corporate Governance	.272	.099	.190	2.755	.010
Earnings	2.010	.217	.784	9.263	.000
Capital	-1.070	.209	-.436	-5.107	.000

a. Dependent Variable: Profitability

Source: SPSS 25 Statistical Results (Researcher, 2024)

The following is the conclusion of the regression equation in table 9:

1. The regression coefficient of the *Risk Profile* variable of 0.518 means that if every increase in the *Risk Profile* variable is one percent (1%), it will reduce the percentage of the Profitability index by 5.18%, assuming other variables are constant.
2. The *Good Corporate Governance* variable regression coefficient of 0.272 means that if every increase in the *Good Corporate Governance* variable is one percent (1%), it will reduce the percentage of the Profitability index by 2.72%,

assuming other variables are constant.

3. The *Earnings* variable regression coefficient of 2.010 means that if each increase in the *Earnings* variable is one percent (1%), it will reduce the percentage of the Profitability index by 2.0%, assuming other variables are constant.
4. The *Capital* variable regression coefficient of -1.070 means that if every increase in the *Capital* variable is one percent (1%), it will reduce the percentage of the Profitability index by 10.70%, assuming other variables are constant.

CONCLUSIONS

The Risk Profile variable (X1) in this study has a significant effect on Profitability (Y). Evidenced by the partial t test of the "Coefficients" output table which has a Significance value (Sig) of 0.000. Because the value of Sig. 0.000> probability 0.05. That is, it can be concluded that there is a significant influence between Risk Profile (X1) on Profitability (Y). The conclusion that can be drawn is, if the value of the Risk Profile variable is low, it can show that the level of inherent risk faced by the bank is also low. But it is different if the value of the Risk Profile level is high, automatically the level of inherent risk faced by the bank is also high. If the level of Risk Profile is high, it can also affect the bank's operational activities which affect profits and revenues. However, from these tests, it can be concluded that the value of Risk Profile is low so that it affects higher profitability.

The Good Corporate Governance (X2) variable in this study has a significant effect on Profitability (Y). Evidenced by the partial t test of the "Coefficients" output table which has a significance value (Sig) of 0.010. Because the value of Sig. 0.010> probability 0.05. That is, it can be concluded that there is a significant influence between Good Corporate Governance (X2) on Profitability (Y). It can be concluded that a low Good Corporate Govermance value means that the quality of bank management is high so that it greatly affects profitability, which means it can increase profitability.

Earnings variable (X3) in this study has a significant effect on Profitability (Y). Evidenced by the partial t test of the "Coefficients" output table which has a Significance value (Sig) of 0.000. Because the value of Sig. 0.000> probability 0.05. That is, it can be concluded that there is a significant influence between Earnings (X3) on Profitability (Y). It can be concluded that the reflection of the high value of the Earnings ratio reflects the influence of the health of state-owned banks in the future and in the current period as well. Earnings reflect the bank's ability to reduce its operating costs on the one hand and increase its operating income on the other. The level of income greatly affects the performance of the bank because it reflects the extent to which the bank can optimize the efficiency of its operating costs. The lower the Earnings ratio, the higher the operating cost efficiency for the bank, increasing the opportunity for greater profits, and signaling the bank's stable financial condition.

The Capital variable (X4) in this study has a significant effect on Profitability (Y). It can be seen from the partial t test results in the "Coefficients" table output with a significance value (Sig) of 0.000. Because the value of Sig. 0.000> probability 0.05. This means that there is a significant influence between Capital (X4) on Profitability (Y). It can be concluded that the higher the CAR value, the higher the level of bank capital adequacy, which reflects a better level of bank health. Conversely, the lower the CAR value, the more unhealthy the condition of the bank.

All independent factors in this study, such as Risk Profile (X1), Good Corporate Governance (X2), Earnings (X3), and Capital (X4), have a significant impact on Profitability (Y). This is evidenced by the simultaneous f test in the "Anova" output table where the Significance (Sig) value is 0.000. Due to the value of 0.000 <0.05, it is concluded that Risk Profile (X1), Good Corporate Governance (X2), Earnings (X3) and Capital (X4) simultaneously have a significant effect on Profitability (Y).

In the Earnings Variable (X3), the dominant effect on Profitability (Y) is evidenced based on the results of "Coefficients" that it is stated because the beta coefficient value is 0.784 and the t value is 9.623 greater than the Risk Profile (X1), Good Corporate Governance (X2) and Capital (X4) variables.

ADVICE

As a state-owned commercial bank, it should be able to maintain its integrity and to sustainably improve the health of the bank in the coming years. This is necessary because bank health has a significant impact on the level of public trust, especially for potential customers and shareholders.

The assessment of factors on the Risk Profile occurs in increasing the maximum limit of lending which has an impact on the high risk of bad credit. So, although the increase in credit demand also very large, the company itself must also be able to filter the demand and reconsider its decision making when increasing the maximum amount of credit.

For Bank BTN, it should be able to improve its Profitability health because in 2019-2022, Bank BTN is ranked 3 "Quite Healthy" with a ratio value <1.25%. If the Profitability value is <2% or smaller. This will have an impact on the assessment that the bank still cannot utilize assets efficiently to generate profits.

To enable researchers conducting similar studies to improve their research related to bank soundness, it is recommended to thoroughly adopt the RGEC method and focus more on more specific aspects of bank soundness

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