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The Effect Of The Minimum Capital Availability Obligation (Car) On Profitability (Roa) At Perumda Bpr Majalengka, Majalengka Regency

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PAPER INFO	ABSTRACT
	Background: Effect of Minimum Capital Adequacy Requirement (CAR) on Profitability (ROA) at Perumda BPR Majalengka Majalengka Regency. **Aim:** Capital Adequacy Ratio (CAR) is needed to calculate the capital adequacy of a bank and determine the credit that can be disbursed. Interest profit generated from loans disbursed can increase bank profitability. This study aims to determine the development of the Capital Adequacy Ratio (CAR), to determine the development of the level of profitability (ROA), and to determine the effect of the Capital Adequacy Ratio (CAR) on the level of profitability (ROA) at Perumda BPR Majalengka, Majalengka Regency. **Method:** The method used in this research is a descriptive method with a quantitative approach. To determine the effect of the Capital Adequacy Ratio (CAR) on the level of profitability (ROA), statistical testing is used. Statistical testing used is the use of linear regression, Pearson correlation coefficient, coefficient of determination, hypothesis testing, and also using the SPSS 24.0 application for windows to strengthen manual calculations. **Findings:** The results of data analysis using SPSS 24 for windows show that the Capital Adequacy Ratio (CAR) has a significant influence on the level of profitability (ROA) because the t count is greater than the t table or $3.008 > 2.35336$ correlation value between Capital Adequacy Ratio (CAR) and profitability. (ROA) based on the research data obtained is 0.757 This value indicates the strength of the relationship is included in the category of a strong relationship. The regression equation is as follows $Y = 0.374 + 0.214X$. The effect of the Capital Adequacy Ratio (CAR) on the level of profitability (ROA) is 57.3%, while the remaining 42.7% is influenced by factors other than the Capital Adequacy Ratio (CAR) such as credit realization, third-party funds (TPF) and interest and public trust.
KEYWORDS	

INTRODUCTION

The economic crisis that hit the United States has had an impact on almost the entire world and almost all sectors, one of which is the banking sector (Fernandes, 2020). The global financial crisis caused a drastic decline in the performance of the world economy in 2008 and is expected to continue, even increasing in intensity in 2009 (Loser, 2009). The slowdown in world economic growth, in addition to causing a sharp decline in global trade volume in 2009 will also have an impact on many large industries that are under threat. of bankruptcy, decreased production capacity, and a surge in the number of worlds unemployed. For developing countries, this situation can damage the economy, and trigger an economic crisis (Mishra, 2020).

The crisis does not only affect the global banking system but has affected the real sector of the world economy, including Indonesia (Stiglitz, 1998). Because the US banking sector is

in a slump, lacks capital, and (seeing the number of bankrupt financial institutions) is reluctant to lend its dollars, including to international banks in Europe and Asia. As a result, international banks are short of dollars to lend to world entrepreneurs, who need dollars for their investment (for imports of machinery, raw materials, etc.), including Indonesia (Payer, 1975).

The development of an increasingly complex economy certainly requires the availability and participation of financial institutions. Monetary and banking policies are part of economic policies directed at achieving development goals (Weber, 2017).

The banking industry currently plays an important role in the economic development of a country (Levine, 1996). The basic function of the bank is as a financial intermediary (financial intermediaries), which channels funds from parties with excess funds to parties in need or lack of funds. Law No. 10 of 1998 concerning banking explains that banks are business entities that collect funds from the public in the form of deposits and channel them in the form of credit and or other forms to improve the standard of living of the people at large.

A bank is one of the financial institutions that have an important role in the economy of a country (Liang & Reichert, 2012). The definition of a bank in Article 1 Paragraph 2 of the Law of the Republic of Indonesia Number 21 of 2008 concerning amendments to Law Number 7 of 1992 and Law Number 10 of 1998, a bank is a business entity that collects funds from the public in the form of deposits and flows its community in the form of credit and or in other forms to improve the people's standard of living. Deposits such as savings deposits, time deposits, demand deposits, and credit distribution in this article will be used by banks to increase capital (Jarrow & Van Deventer, 1998).The existence of banking is very necessary for a country, for it is necessary to carry out supervision of guidance so that the bank's business can run as expected. The implementation of the bank supervision function in Indonesia is carried out by the central bank (Durrani, Rosmin, & Volz, 2020). The function of the central bank is to maintain monetary stability, while the measurements are the stability of the money value of the country concerned, price stability, exchange rates, and inflation control. In addition, the central bank also regulates and maintains the payment system.

The function of bank supervision is placed in the central bank, the main function of the bank is to maintain monetary stability, maintain and stabilize the payment system, and maintain the stability of the banking system. These three functions are related to others, so they must be managed in an integrated manner (Plochg & Klazinga, 2002). An international study concluded that the effectiveness of the implementation of these policies requires the support of the banking system, this shows a close relationship between the effectiveness of the implementation of bank supervision (Ibrahim & Ismail, 2020).

Profitability is the bank's ability to earn a profit. Profitability ratios are divided into three, namely return on assets (ROA), return on equity (ROE), and earnings per share (EPS) (Satryo, Rokhmania, & Diptyana, 2017). ROA is used to measure the ability of bank management to earn profits, the greater the ROA, the greater the level of profit achieved by the bank (Kusumastuti & Alam, 2019). ROE is very important for shareholders and potential investors to measure the bank's ability to obtain net profit that occurs by paying dividends, an

increase in ROE means an increase in net profit and will then cause an increase in the bank's stock price. EPS is used for the company so it can analyze earnings per share.

METHODS

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RESULTS AND DISCUSSION
1. Descriptive Test Results

Based on the results of the data regarding the Capital Adequacy Ratio (CAR) of Perumda BPR Majalengka, Majalengka Regency, it can be concluded that in the period 2015 to 2019 the Capital Adequacy Ratio (CAR) at Perumda BPR Majalengka, Majalengka Regency is volatile where there is a decrease and an increase. The increase and decrease in the Capital Adequacy Ratio (CAR) is generally caused by lending to the public or an increase in the amount of core capital and bank supplementary capital at Perumda BPR Majalengka, Majalengka Regency. The largest increase occurred in 2016 which was 3.21% which occurred due to a decrease in Risk Weighted Assets (RWA) as well as an increase in additional capital reserves (Disclosed Reserves) from the previous semester. Meanwhile, the biggest decrease in 2019 was 6.19% due to an increase in lending which increased Risk Weighted Assets (RWA).

Based on the data on Profitability (ROA) at Perumda BPR Majalengka, Majalengka Regency, it can be said that in the period 2015 to 2019 Profitability (ROA) at Perumda BPR Majalengka Majalengka Regency is volatile where there is a decrease and an increase. The biggest increase occurred in 2018 which was 0.98% which occurred due to an increase in interest income and other operations from the previous year. Meanwhile, the biggest decline in 2019 was 2.45% due to an increase in the amount of cash and placements with Bank Indonesia and a decrease in interest income.

2. Linear Regression Test Results

To prove the hypothesis in this study, the t-test was used to partially test each variable. This is to determine whether all the independent variables partially have a significant effect on the dependent variable.

Based on calculations using IBM SPSS Statistics 22, the following output is obtained:

Table 1

			Error			
1	(Consta	,374	1,948		,192	,860
	CAR	,214	,107	,757	3,008	,008

a. Dependent Variable: ROA

Discussion of Statistical Calculation Results:

From calculations using a simple linear regression formula or using the SPSS Ver program. 24 for the windows mentioned above. Earned value

= 0.374 while for the value of b = 0.214. Then the regression equation is obtained as follows:

Y = 0,374 + 0,214X

For the value: a = 0.374 Is a constant, which means it shows profitability as a Y variable where when the Capital Adequacy Ratio (CAR) is zero (or when X = 0) or does not change is 0.374

b = 0.214 If there is a one percent increase in Capital Adequacy Ratio (CAR), then profitability will increase by 0.214x or 21.4% at Perumda BPR Majalengka, Majalengka Regency.

3. Hypothesis Test Results

Testing the hypothesis in this study using a two-part test to determine the significance of the X variable, namely the minimum capital adequacy requirement (CAR), and the Y variable, namely Profitability (ROE).

With the test criteria: If t count > from the t table, then the correlation between X and Y is significant. Based on the above calculation with an error rate = 0.05 then the value of the t table = 2.35336 (interpolation), it turns out that the t count is greater than the t table or 3.008 > 2.35336 then the hypothesis is proven. This means that the minimum capital provision (CAR) has a positive and significant effect on profitability (ROE) at Perumda BPR Majalengka, Majalengka Regency.

CONCLUSION

The minimum capital adequacy requirement (CAR) at Perumda BPR Majalengka, Majalengka Regency has reached 79.8% of the expected criteria. This is following the hypothesis that is at least 60% of the expected criteria.

Profitability (ROA) at Perumda BPR Majalengka Majalengka Regency has reached 74.8% of the expected criteria. This is by the hypothesis that is at least 60% of the expected criteria.

Minimum capital provision (CAR) has a positive and significant effect on profitability (ROE) at Perumda BPR Majalengka, Majalengka Regency because the t count is greater than the t table or 3,008 > 2,35336 correlation value between Capital Adequacy Ratio (CAR) and profitability (ROA) based on The research data obtained, is 0.757 This value indicates the strength of the relationship in the category of a strong relationship. The regression equation is as follows Y = 0.374 + 0.214X. The effect of the Capital Adequacy Ratio (CAR) on the level of profitability (ROA) is 57.3%, while the remaining 42.7% is influenced by factors other than the Capital Adequacy Ratio (CAR) such as credit realization, third-party funds (TPF) and interest and public trust.

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