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ANALYSIS OF FACTORS INFLUENCING THE PERFORMANCE OF NATIONAL PRIVATE BANKING IN INDONESIA, MODERATED BY THE USE OF FINTECH

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Abstract

The purpose of this study is to analyze the "Analysis of Factors Influencing the Performance of National Private Banking in Indonesia, Moderated by the Use of Fintech." The data collected in this study are secondary data, gathered from the financial reports of national private banks for the 2020-2024 period. The sample in this study is 140. This study uses quantitative data. The data analysis technique used panel data regression analysis with the help of eViews software. The test results show that the Loan to Deposit Ratio has a significant effect on Return on Assets at National Private Banks in Indonesia. Operating Expenses/Operating Income has a significant effect on Return on Assets at National Private Banks in Indonesia. Non-performing Loans have a significant effect on Return on Assets at National Private Banks in Indonesia. The Loan to Deposit Ratio and Operating Expenses/Operating Income have a significant effect on Return on Assets, with fintech as a moderating variable. Non-performing Loans do not have a significant effect on Return on Assets, with fintech as a moderating variable at National Private Banks in Indonesia.

Keywords* : *Loan to Deposit Ratio, BOPO, Non performing Loan, Return on Asset dan Fintech

1. INTRODUCTION

Technological developments have become a key driver of innovation and convenience in various aspects of life, including facilitating business establishment and easing human tasks. In Indonesia, advances in information and communication have significantly increased internet usage across various groups. In the banking context, a positive bank image is crucial for building public trust, which in turn influences customer satisfaction and loyalty. The banking industry is adapting by integrating digital capabilities and financial resilience, strengthening capital structures, and implementing good corporate governance for optimal results now and in the future. Banks are now focusing on optimal customer experiences, driven by the ongoing digital transformation. Banking plays a crucial role in the national economy, including collecting funds and channeling them in the form of credit to improve people's lives. Furthermore, the Sharia Banking Law also regulates the existence of Sharia banks as part of financial services. The fintech (financial technology) sector is also experiencing rapid growth and increasing popularity, supported by significant investment increases in recent years and regulations that protect consumers (Fachrudin, 2024). Fintech innovation has resulted in various payment and loan applications that facilitate access to financial services. The growth of the digital economy in Indonesia is driven by the rapid development of fintech, the growth of e-commerce, the digitization of MSMEs, and support from government policies. With high internet penetration in Indonesia, especially among Millennials and Generation Z, the potential for fintech growth in Indonesia is enormous, in line with the government's target of achieving a digital economy of USD 109 billion by 2025 and potentially increasing to USD 360 billion by 2030.

The rapid growth of Indonesia's digital economy highlights the importance of public education and financial literacy, its primary driving force. Although the 2024 National Survey of Financial Literacy and Inclusion (SNLIK) showed a financial literacy index of 65.43% and financial inclusion of 75.02%, this gap poses consumer protection challenges for the financial industry. Financial performance effectiveness is measured by the achievement of managerial or organizational goals, and with 44 million adults in Indonesia having only a bank account and no other financial services, there is a significant opportunity for fintech institutions to reach underserved segments of the population. The development of fintech, which leads to a decentralized financial system with more transparent decision-making and risk management, has popularized it in Indonesia, forcing conventional banks to adapt through technological innovations such as mobile banking and internet banking to remain competitive (Urakhma, 2017). According to Bank Indonesia, Financial Technology (fintech) is a combination of financial services and technology that transforms business models into more modern ones, eliminating the need for in-person cash transactions. Transactions can be conducted online quickly, and fintech is a rapidly growing industry with numerous potential developments. Bank Indonesia defines fintech in a Bank Indonesia Regulation, which explains its use in creating new products and services, as well as its impact on monetary stability and the financial system (Wahdan, 2021). Fintech is also beginning to develop in developing countries like Indonesia, offering convenience in financial transactions.

The Loan to Deposit Ratio (LDR) measures a bank's ability to repay its obligations to customers and calculates the ratio of credit extended to funds received (Ismail, 2018). According to PBI No. 15/7/PBI/2013 Article 10, a healthy LDR ratio is between 78% and 92%. Non-Performing Loans (NPL) are a comparison between non-performing loans and total loans, and an indicator for measuring credit risk in banks (Irawati, 2019). A low NPL ratio indicates good credit quality, while a high ratio indicates greater credit risk. Every bank cannot avoid non-performing loans due to the inherent risks inherent in lending. Non-performing loans occur when debtors experience difficulty repaying their debts to the bank (Sorongan, 2020). Banks require sound management to manage this risk. Credit quality is grouped into five categories: current, special mention, substandard, doubtful, and loss, based on payment status and credit documentation (Indonesian Bankers Association, 2016). Each category has specific criteria that indicate the level of risk and problems in the credit provided.

Operating expenses to operating income (BOPO) is a ratio that measures how efficiently bank management controls operational costs compared to the income earned (Rivai, 2013). This ratio is important for assessing the bank's operational capabilities and effectiveness. The higher the BOPO, the less efficient the bank, and conversely, the lower the BOPO, the more efficient the bank. Based on Bank Indonesia Circular Letter No. 15/7/DPNP, banks must maintain a BOPO of no more than 85% to be considered reliable in repaying loans. One of the financial performance indicators used in this study is Return on Assets (ROA). ROA is calculated to measure profitability and the ability of bank management to generate profits (Tandelilin, 2010). The higher the ROA, the better the bank's performance in utilizing its assets. ROA indicates a company's effectiveness in managing assets and capital. Investors can see how effectively a company manages assets, and a high ROA can increase stock sales and profits (Hery, 2020).

2. RESEARCH METHODS

This study employed quantitative research, emphasizing measurable data through several hypothesis tests, classical assumption tests, and analysis of relationships between variables, drawing conclusions. The study involved 28 private banks in Indonesia listed on the Indonesia Stock Exchange. The study period was from 2020 to 2024.

3. RESULT AND DISCUSSION

1) Autocorrelation Test Table

Cross-section fixed (dummy variables)

R-squared	0.894293	Mean dependent var	2.931694
Adjusted R-squared	0.866837	S.D. dependent var	1.032548
S.E. of regression	0.376792	Akaike info criterion	1.073163
Sum squared resid	10.93186	Schwarz criterion	1.627084
Log likelihood	-31.58496	Hannan-Quinn criter.	1.297212
F-statistic	32.57157	**Durbin-Watson stat**	**1.821675**
Prob(F-statistic)	0.000000		

2) R Square Table

Effects Specification

Cross-section fixed (dummy variables)			
R-squared	**0.894293**	Mean dependent var	2.931694
Adjusted R-squared	**0.866837**	S.D. dependent var	1.032548

S.E. of regression	0.376792	Akaike info criterion	1.073163
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F-statistic	32.57157	Durbin-Watson stat	1.821675
Prob(F-statistic)	0.000000		

3) Partial Test Results

Dependent Variable: *Return On Asset*				
Method: Panel Least Squares				
Variable	*Coefficient*	*Std. Error*	*t-Statistic*	*Prob.*
C	2.16041	0.994577	2.175994	0.0326
LDR	0.92472	0.112609	3.771678	0.0003
BOPO	0.87906	0.101128	3.748350	0.0010
NPL	-0.31095	0.171747	-1.810560	0.0741
LDR*Fintech	0.23906	0.107861	2.947035	0.0006
BOPO*Fintech	0.31077	0.132047	2.667929	0.0008
NPL*Fintech	-0.76979	0.104568	-1.340356	0.0110

4. CONCLUSION

Based on the results of the explanation above, it can be concluded that:

1. The Loan to Deposit Ratio has a significant effect on Return on Assets at National Private Banks in Indonesia.
2. Operating Expenses / Operating Income has a significant effect on Return on Assets at National Private Banks in Indonesia.
3. Non-Performing Loans have a significant effect on Return on Assets at National Private Banks in Indonesia.
4. The Loan to Deposit Ratio and Operating Expenses / Operating Income have a significant effect on Return on Assets, with fintech as a moderating variable. Non-Performing Loans have no significant effect on Return on Assets, with fintech as a moderating variable at National Private Banks in Indonesia.

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