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SIMULTANEOUS ELECTIONS AND ITS IMPLICATIONS ON BANKING PROFITABILITY: A STUDY IN THE ASEAN BIG FOUR CAPITAL MARKET

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Abstract

Capital Adequacy Ratio (CAR) is a bank performance ratio used to measure the adequacy of capital owned by the bank in order to support assets that contain or generate risk. The greater the Capital Adequacy Ratio (CAR), the better the bank's ability to meet capital needs. The greater the capital owned by the bank, the bank is able to provide loans to customers in large amounts so that it has the opportunity to increase the company's profitability. Profitability assessment is a process to determine how well business activities are carried out to achieve strategic goals, eliminate waste and present timely information to carry out continuous improvement (1). This study aims to be one of the indicators of how an important event in a country, especially in the socio-political field, can affect the country's economic turnover and stock exchange. Especially for the big four ASEAN countries (Indonesia, Malaysia, Singapore and Thailand), the case of increasing stock prices in the banking sector is in the spotlight and it is necessary to conduct a scientific study on the correlation of General Election events in the big four ASEAN countries with the increase in their country's stock market. This type of research is associative research that aims to determine the relationship between two or more variables, namely examining the effect of Capital Adequacy Ratio (CAR), Loan to Deposit Ratio (LDR) and Operating Costs to Operating Income (BOPO) which are linked to the Profitability of banking sector companies during the general election period in the big four ASEAN countries. This study will use ratio analysis to determine the performance of a bank and its health. With the results of LDR does not have a positive and significant effect on the profitability of banking companies. CAR has a positive and significant effect on the Profitability of Banking Companies. BOPO has a negative and insignificant effect on the Profitability of Banking Companies.

Keywords: LDR, CAR, BOPO, big four ASEAN

1. INTRODUCTION

Simultaneous general elections are important political events in various countries, including in the ASEAN region. Elections are not only an indicator of political stability and democracy, but also have a significant impact on the economic sector, including the banking sector. This sector, which plays a crucial role in the economy, is highly influenced by political dynamics, considering that new government policies can change the operational landscape and financial policies that affect the financial performance of banks. This study aims to explore how simultaneous elections affect the profitability of the banking sector in the big four ASEAN countries: Indonesia, Malaysia, Singapore, and Thailand.

Elections often bring uncertainty to the capital market, given their impact on possible fiscal and monetary policy changes. This uncertainty can cause market volatility and change investors' risk perceptions, which have a direct impact on banking sector stocks. Previous studies have shown that the capital market's response to political events is highly dependent on investors' perceptions of political stability and post-election economic policies. Therefore, empirical analysis is needed to understand the extent to which simultaneous elections affect the profitability of the banking sector in the region.

Indonesia, Malaysia, Singapore, and Thailand have different political and economic systems, even though they are all part of ASEAN and have developed capital markets. These countries also share similarities in their reliance on the banking sector for economic growth and financial stability. However, how elections affect the banking sector in each country can vary depending on their political and economic characteristics. For example, Singapore's relatively high political stability tends to make the impact of elections on its banking sector more moderate than in other countries in the region.

In addition, the role of regulatory institutions such as the Financial Services Authority (OJK) in Indonesia and the Monetary Authority of Singapore (MAS) in maintaining financial stability during the election period is an important aspect in this analysis. Proactive supervisory policies and macroprudential policy adjustments can help minimize volatility risks and protect the profitability of the banking sector. Therefore, understanding the interaction between political factors and policy responses is important in assessing the impact of simultaneous elections on banking profitability.

The simultaneous elections in the ASEAN big four also create an opportunity to understand the impact on the broader market, where investors can compare conditions across countries to gauge potential risks and opportunities. This study will use empirical data from the election period in each country and analyze profitability indicators such as return on assets (ROA) and return on equity (ROE) of listed banking companies. This data will help uncover significant trends and differences in the banking sector's response to elections.

Focusing on the interaction between politics and economics, this study aims to provide deeper insights into the impact of simultaneous elections on the profitability of the banking sector in the ASEAN big four countries. The findings of this study are expected to help market players, policymakers, and academics in understanding the dynamics between political events and banking sector performance in the region, as well as provide a basis for future risk mitigation strategies.

2. RESEARCH METHODS

Types and Design of Research

This study is an associative study that aims to determine the relationship between two or more variables (6)(5). This study examines the influence of the Capital Adequacy Ratio (CAR), Loan to Deposit Ratio (LDR) and Operational Costs to Operational Income (BOPO) on the Profitability of banking companies during the period leading up to the simultaneous general elections specifically in the big four ASEAN countries (Indonesia, Malaysia, Singapore and Thailand).

Population and Sample

The population of this study is banking sector companies listed on the stock exchanges of the big four ASEAN countries (Indonesia, Malaysia, Singapore and Thailand), while the sample was taken using purposive sampling technique.

Data Types and Sources

The type of data used in this study is secondary data from the stock exchanges of the big four ASEAN countries published and obtained through the official websites of the stock exchanges of the big four ASEAN countries (Indonesia, Malaysia, Singapore and Thailand) during the General Election year in each country.

3. RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistics are used to provide an overview of the objects used as samples in this study. Descriptive statistics describe the results of descriptive statistical data consisting of the

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average, standard deviation, maximum, and minimum as well as the number of observations. More details can be seen in Table 5.1 as follows:

Table 3.1
Descriptive Statistics Results

	ROA	CAR	LDR	BOPO
Mean	0.5481	0.4742	0.2575	29.1797
Median	0.5165	0.3365	0.2300	28.9823
Maximum	1.1320	2.3750	0.6340	31.5426
Minimum	0.0720	0.1040	0.0880	26.6373
Std. Dev.	0.2829	0.3609	0.1018	1.4504
Skewness	0.0602	2.1469	0.9756	-0.1817
Kurtosis	1.8475	10.6951	4.5495	2.1050
Jarque-Bera	4.4754	258.8424	20.6942	3.1098
Probability	0.1067	0.0000	0.0000	0.2112
Sum	43,850	37.9430	20.6000	2334.376
Sum Sq. Dev.	6.3231	10.2909	0.8195	166.2034
Observations	80	80	80	80

Source: Research Results, 2024

The results of the statistical description show that the average ROA value on the stock exchanges of the big four ASEAN countries (Indonesia, Malaysia, Singapore and Thailand) which are the samples in this study is 0.5481 with a standard deviation of 0.2829, and a minimum value of 0.0720 and a maximum value of 1.1320. This shows that the ROA variable used in this study does not show a greater difference, because the average value is greater than the standard deviation value. Meanwhile, for the independent variable CAR, the average value is known to be 0.4742 with a standard deviation of 0.3609. And the minimum value is 0.0720 and the maximum value is 1.1329. This shows that the CAR variable used in this study does not show a greater difference, because the average value is greater than the standard deviation value. Then the LDR and BOPO variables used in this study also did not show a greater difference, because the average value of each variable was greater than the standard deviation value, which was 0.1018 and 1.4504. the maximum values were 0.0880 and 26.6373. the maximum values were 0.6340 and 31.5426.

Panel Data Regression Model Selection Techniques

The model selection technique in panel data regression analysis is carried out to obtain the best model between the Common Effect Model (CEM), Fixed Effect Model (FEM) and also the Random Effect Model (REM). The selection of panel data regression models can be done by means of the chow test and the hausman test.

Table 3.2
Panel Data Model Regression Results

Variables	CEM		FEM		BRAKE	
	Coefficient	t-Statistic	Coefficient	t-Statistic	Coefficient	t-Statistic
1	**2**	**3**	**4**	**5**	**6**	**7**
C	0.118316	0.238110	-1.049674	-1.393807	0.118316	0.231312
CAR	-0.315698	-4.872833	-0.311318	-4.422888	-0.315698	-4.733718
LDR	1.421118	5.945477	1.478891	5.428622	1.421118	5.775740
BOPO	0.007320	0.449187	0.046767	1.862357	0.007320	0.436363
R^2	**0.526139**		**0.596981**		**0.526139**	

F-test	**28.12819**	**5.019870**	**28.12819**
DW	**1.982551**	**2.373915**	**1.982551**

Source: Research Results, 2024

Classical Assumption Testing

In this study, one of the tests that must be carried out in analyzing multiple linear regression is by conducting a classical assumption test. Ghozali (2011) stated that the classical assumption test is carried out so that the multiple linear regression model meets the BLUE (Based Linear Unbiased Estimator) criteria. The stages of testing in the classical assumption test are as follows:

1. Normality Test

The normality test is used to test whether the regression model has a normal distribution or not. The normality test conducted in this study is the Jarque Bera Test. In the Jarque Bera Test, the value seen is the probability value. A regression model is said to meet the normality assumption if the probability value is greater than the standard error tolerance value of 0.05. The results of the Jarque Bera Test in this study will be seen as follows:

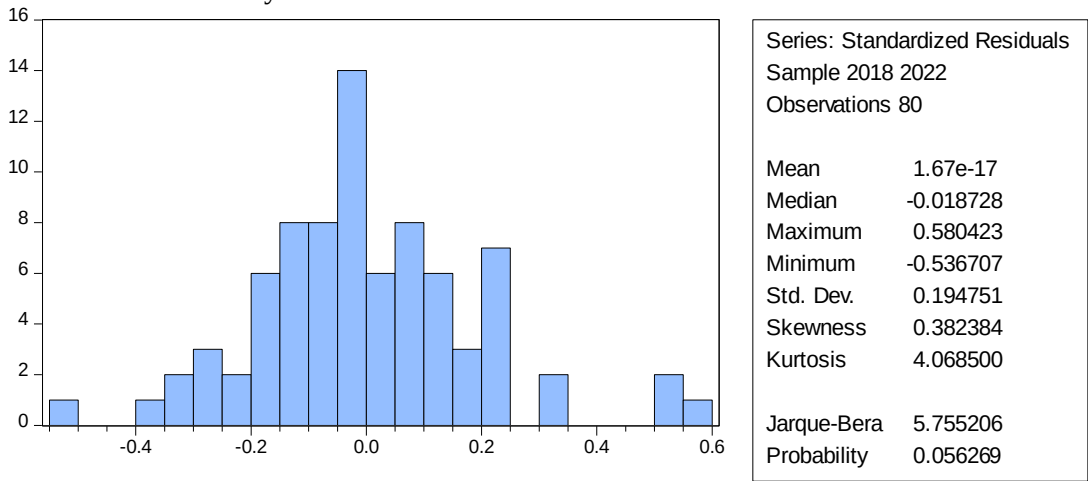

Figure 3.1
Normality test

It can be seen in Figure 5.1 above that the Jarque Bera value is 5.755206 and the probability value is 0.056269 or greater than 5%, so it can be concluded that the data in this study is normally distributed.

2. Heteroscedasticity Test

This test is usually done to test a model whether there is inequality of residual variance from one observation to another (Ghazali, 2011). A good research model is a model that does not have heteroscedasticity or a model that is homoscedastic. The heteroscedasticity test used in this study is the Bruech Pagan Godfrey test. The results of the Bruech Pagan Godfrey Test can be seen in the table below:

Table 3.3
Heteroscedasticity Test Results

Heteroskedasticity Test: Glejser

F-statistic	0.235516	Prob. F(3,76)	0.8713
Obs*R-squared	0.736886	Chi-Square Prob.(3)	0.8645
Scaled explained SS	0.842065	Chi-Square Prob.(3)	0.8394

Source: Research Results, 2024

Based on Table 5.3 above, it can be seen that the probability values for CAR, DPK, LDR, and BOPO in the Glajser test results (Prob. F with a value of 0.8713) are above 0.05%. Therefore, it can be concluded that with a confidence level of 87.13% this study is free from heteroscedasticity symptoms.

3. Multicollinearity Test

Multicollinearity test is one of the tests in the classical assumption that aims to see whether or not there is a correlation between independent variables in the study. This test is usually done by analyzing the correlation matrix of independent variables. If the correlation between two independent variables exceeds 0.8, it can be concluded that multicollinearity has occurred in the study (Gujarati and Porter, 2012). The following table shows the test results in this study:

Table 3.4
Multicollinearity Test Results

	ROA	CAR	LDR	BOPO
ROA	1			
CAR	-0.5430	1		
LDR	0.6148	-0.2860	1	
BOPO	-0.1903	0.1612	-0.3185	1

Source: Research Results, 2024

Based on the results of the table above, it can be seen that all cells between independent variables in this study have a correlation value below 0.8. Therefore, it can be concluded that there is no multicollinearity symptom in this study, meaning that all independent variables in this study do not have a high correlation.

4. Autocorrelation Test

The autocorrelation test is conducted to test whether in a linear model there is a correlation between the disturbing error in period t and the error in period t-1. If there is a correlation, it is called an autocorrelation problem. A good model is a model that is not affected by autocorrelation (Ghazali, 2012). One way to detect the presence or absence of autocorrelation can be seen by conducting the Durbin-Watson Test (DW test). Based on Table 4.5, it is known that the Durbin-Watson value in this study is 1.982551. This means that it can be concluded that in this study the model can be indicated as free from autocorrelation symptoms, because the Durbin-Watson value is between -2 and 2.

Panel Data Regression Estimation

Based on the selection of the model above, the best model in this study is the Random Effect Model. The results of panel data regression with the Random Effect Model are as follows:

Table 3.5
Multicollinearity Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.118316	0.496899	0.238110	0.8124
CAR	-0.315698	0.064787	-4.872833	0.0000
LDR	1.721118	0.239025	5.945477	0.0000
BOPO	0.007320	0.016297	0.449187	0.0446
R-squared	0.526139	Mean dependent variable		0.548125
Adjusted R-squared	0.507434	SD dependent var		0.282914
SE of regression	0.198557	Akaike information criterion		-0.346770

Sum squared residual	2.996304	Black criterion	-0.227669
Log likelihood	17.87080	Hannan-Quinn critter.	-0.299019
F-statistic	28.12819	Durbin-Watson stat	1.982551
Prob(F-statistic)	0.000000		

Source: Processed Data 2024

Based on Table 5.3 above, the panel regression equation that can be compiled in this study is as follows:

ROA = 0.118316 - 0.315698 CAR + 1.721118 LDR + 0.007320 BOPO

Based on the equation above, it can be seen that the constant is worth 0.118316 which shows that if CAR, LDR and BOPO are worth 0, then ROA remains constant with a value of 0.118316. Meanwhile, CAR has a negative relationship to ROA with a coefficient value of -0.315698. This result shows that if CAR is added by 1%, it will decrease the ROA value by 0.0438%. Furthermore, LDR has a positive relationship to ROA with a regression coefficient value of 1.721118. This shows that if LDR is increased by 1%, it will increase ROA by 1.421118. Meanwhile, BOPO has a positive relationship to ROA with a regression coefficient value of 0.007320. This shows that if BOPO is increased by 1%, it will increase ROA by 0.007320.. Based on Table 5.3 above, it can be seen that the Adjusted R-Square value is 0.5074 or 50.74%. This shows that CAR, LDR, and BOPO are able to explain ROA by 50.74% while the remaining 49.36% is explained by other factors not analyzed in this study.

Hypothesis Testing

Partial Significance Test (t-Test)

This study uses the t-test as a hypothesis test. The t-test is used to see the effect of independent variables on dependent variables partially. The decision-making criteria are by looking at the calculated t value and comparing it with the t-table value and looking at the probability value.

1. The Influence of CAR on ROA

Based on Table 5.3 Panel Data Regression Model, it can be seen that the tcount of CAR is -4.872833 and the significance value is 0.0000. The ttable value in calculated with the analysis error rate (α) of 5%, the degree of freedom used is dfl = 80-4 is 1.66515. This shows that tcount (-4.872833) < Ttable (1.66515) and the significance value (0.0000) < 0.05, so it can be said that CAR does not have a significant effect on ROA, so H1 is rejected. This finding is in line with the research results of Dwi and Abudanti (2018), Kossoh and Ogi (2017) who said that CAR does not significantly affect ROA. While this finding is in line with Warsa and Mustanda (2016) who found that the effect of CAR is not significant on ROA. Profitability The stock exchanges of the big four ASEAN countries (Indonesia, Malaysia, Singapore and Thailand) identified that capital adequacy has a significant influence, banks in general in Indonesia, Malaysia, Singapore and Thailand are able to finance and control bank operations and in favorable conditions this shows that the capital adequacy ratio can provide a significant contribution to bank profitability. Where this study is in accordance with the theory, namely, when the CAR is higher, the level of Bank profitability indicated by the ROA ratio is also higher, and vice versa.

2. The Influence of LDR on ROA

Based on Table 5.3 Panel Data Regression Model, it can be seen that the tcount of LDR is 1.421118 and its significance value is 0.0000. The ttable value in calculated with the analysis error rate (α) of 5%, the degree of freedom used is dfl = 80-4 is 1.66515. This shows that tcount (1.721118) < Ttable (1.66515) and the significance value (0.0000) > 0.05, so it can be said that LDR has a significant effect on ROA, so H2 is accepted. This finding is not in line with the results of Warsa and Mustanda's (2016) research, which stated that LDR has no significant effect on ROA.

However, this finding is in line with the findings of Dwi and Abudanti (2018), Kossoh and Ogi (2017) who stated that LDR has a significant effect on ROA. This finding indicates that liquidity risk has a significant effect on the Profitability of the Stock Exchange of the big four ASEAN countries (Indonesia, Malaysia, Singapore and Thailand). This may be because Commercial Banks are even those that have conducted international transactions and this shows that Commercial Banks are large banks which result in the LDR ratio not being in accordance with the theory where in theory it shows that the higher the LDR, the lower the level of profitability, while in this study it shows that the LDR ratio has a positive effect, meaning that the higher the credit or loan, the higher the ROA at Commercial Banks.

3. The Influence of BOPO on ROA

Based on Table 5.3 Panel Data Regression Model, it can be seen that the BOPO tcount is0.007320and the significance value is 0.0446. The ttable value in calculated with the analysis error rate (α) of 5% the degree of freedom used is dfl = 80-4 is 1.66515. This shows that tcount (0.007320) < Ttable (1.66515) and the significance value (0.0446) > 0.05, so it can be said that BOPO has a significant effect on ROA, so H3 is accepted. These findings support the research results of Fajar Adiputra (2017) which states that BOPO has a negative and significant effect on ROA. This shows that the increase in the bank's BOPO ratio indicates an increase in the proportion of operational expenses to operational income received by the bank, in other words, if operational costs increase, it will reduce profit before tax which will ultimately reduce ROA at the bank concerned, thus the greater the BOPO, the smaller the bank's ROA, because the profit obtained by the bank is also small. This reflects the existence or occurrence of operational performance inefficiencies in commercial banks. Thus, the third hypothesis stating that BOPO has a negative effect on ROA is accepted.

5. CONCLUSION

Based on the results of the data analysis that has been carried out, several conclusions can be drawn from this study, namely as follows:

1. LDR does not have a positive and significant effect on the profitability of banking companies.
2. CAR has a positive and significant effect on the profitability of banking companies.
3. BOPO Has a Negative and Insignificant Impact on the Profitability of Banking Companies.

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