

## THE INFLUENCE OF NPF, BOPO, CURRENT RATIO AND GEARING RATIO ON FINANCING COMPANY PERFORMANCE (COMPARATION STUDY OF FINANCING COMPANIES IN INDONESIA BEFORE AND DURING THE COVID-19 PERIOD)

Rizky Muhammad Harris<sup>1</sup>, Wisnu Mawardi<sup>2</sup>

Master of Management, Diponegoro University, Indonesia

Email: rizky.harris81@gmail.com, wisnumawardi@gmail.com

### Abstract

This research aims to compare the effect of Non-Performing Financing (NPF), Operating Expense to Operating Income (BOPO), Current Ratio, and Gearing Ratio of financing companies in Indonesia on profitability performance as represented by the variable Return on Assets (ROA) in pre-COVID-19 and during COVID-19 times. This type of research is quantitative research using time series data with the period before the spread of COVID-19 was for the period September 2018 to February 2020 and the period during the spread of COVID-19 was March 2020 to August 2021. The data source used is based on monthly reports submitted by financing company in Indonesia to the Financial Services Authority. The analysis used in this research is multiple linear regression and the Chow test. The classical assumption test on the data used has been carried out including the normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test before carrying out the multiple linear regression test. The research results obtained were that before the COVID-19 pandemic NPF had no effect on ROA, BOPO had a negative and significant effect on ROA, Current Ratio had no effect on ROA, and Gearing Ratio had no effect on ROA. While during the COVID-19 pandemic it was known that NPF had no effect on ROA, BOPO had no effect on ROA, Current Ratio had no effect on ROA, and Gearing Ratio had a positive and significant effect on ROA. The results of the Chow test showed that there were differences in the effect of NPF, BOPO, Current Ratio, and Gearing Ratio on the ROA of financing companies in Indonesia before COVID-19 and during the COVID-19 period.

**Keywords:** NPF, BOPO, Current Ratio, Gearing Ratio, ROA, COVID-19

### Introduction

Beginning with a number of cases of pneumonia which spread rapidly in China at the end of 2019, the public was shocked by the spread of Coronavirus Disease 2019 or COVID-19 which eventually continued to grow to become a pandemic. The COVID-19 pandemic then spread to other countries, including Indonesia. The World Health Organization or the World Health Organization (WHO) acted quickly and began to pay serious attention to the spread of COVID-19 (World Health Organization, 2020).

<b>How to cite:</b>	Rizky Muhammad Harris, Wisnu Mawardi (2023) The Influence of NPF, BOPO, Current Ratio and Gearing Ratio on Financing Company Performance (Comparison Study of Financing Companies in Indonesia Before and During the Covid-19 Period), <i>Volume 5 Issue 2 July 2023</i>
<b>E-ISSN:</b>	2775-0833
<b>Published by:</b>	<a href="#">Politeknik Siber Cerdika Internasional</a>

## The Influence of NPF, BOPO, Current Ratio and Gearing Ratio on Financing Company Performance (Comparation Study of Financing Companies in Indonesia Before and During the Covid-19 Period)

The spread of COVID-19 has had a direct impact on the business climate and the Indonesian financial services sector, including finance companies. The consequence that is caused to finance companies is the emergence of the gap phenomenon. The development of finance companies seems to be slowing down. Finance companies have to deal with various problems during the COVID-19 pandemic, including managing cash flows and the increasing level of non-performing financing (NPF) experienced by finance companies. Net profit and the disbursement of financing or loans both fell, but the NPF ratio rose. Declining purchasing power and diminishing consumer demand have been the cause of the decline in disbursement of financing (Sustainable, 2019). In the regulation of the Financial Services Authority through a Circular Letter issued by the Financial Services Authority No. 11/SEOJK.05/2020 concerning Assessment of the Soundness Level of Financing Companies and Sharia Financing Companies (SEOJK No. 11/SEOJK.05/2020), the gross NPF ratio of a finance company can be determined by comparing the total of receivables or financing claims that have experienced problems with the total of all receivables or financing claims. At the end of July 2020, the NPF ratio for the finance company financial services sector was 5.60%. In the previous five years, this NPF ratio was the highest (Directorate for Supervision of Financial Services Authority Financing Institutions, 2022).

Another impact of the COVID-19 pandemic is also shown from the level of the ratio of operating costs to operating income of finance companies (BOPO). In SEOJK regulation No. 11/SEOJK.05/2020 calculations to find out BOPO can be done by comparing the expenses from the operations of finance companies to the operating income of finance companies. Data from the Financial Services Authority show that the BOPO of the finance company industry in Indonesia is at a level of 82.18% in June 2021, down from the realization in May 2021 which was 83.81%. As comparative data before the COVID-19 pandemic, in June 2019 the BOPO of finance companies in Indonesia was at the level of 79.41% (Directorate of Supervision of Financing Institutions of the Financial Services Authority, 2022).

Furthermore, the spread of COVID-19 has also had an impact on the liquidity of finance companies in Indonesia. One of the indicators of liquidity is how big the current ratio is from the finance company. Setting in SEOJK No. 11/SEOJK.05/2020 is that the current ratio can be known from a comparison between how much current assets are and how much current liabilities are calculated at a finance company. Based on data originating from the Directorate of Supervision of Financing Institutions of the Financial Services Authority, during the COVID-19 pandemic period in December 2021 the current ratio level of finance companies in Indonesia was at a level of 108.23%, compared to December 2019 which was at a level of 113.52 %.

Another impact of the spread of COVID-19 on finance companies is the declining level of the gearing ratio of finance companies. Gearing ratio is the ratio between the amount of the loan and own capital. In the Financial Services Authority Regulation No. 35/POJK.05/2018 concerning the implementation of finance company business (POJK No. 35/POJK.05/2018) stipulates that the gearing ratio provisions that must be met by finance companies are with a minimum amount of 0 times and a maximum number of 10 times. A low gearing ratio level indicates the company's financial stability and little risk of changes in interest rates. In May 2021, the gearing ratio of finance companies in Indonesia was at 2.01 times, slightly lower than the May 2020 period which was at level 2.61 times (Directorate of Supervision of Financing Institutions of the Financial Services Authority, 2022). One of the reasons for this low gearing ratio is the prudence of the

banking sector in Indonesia towards finance companies in providing funding during the COVID-19 pandemic.

Financial performance is a condition where company management regularly decides the best way in order to get certain results that are carried out effectively and efficiently (Munawir, 2010). The performance of finance companies can be seen from several variables, including how the finance company can maintain NPF levels, operational efficiency capabilities which can be seen from BOPO, current ratio levels, and gearing ratio levels. One of the tools for measuring indicators of the financial performance of a finance company is to determine the level of Return On Assets or abbreviated as ROA. In this study ROA is used in order to see how the financial performance of a finance company (Ruspandi & Asma, 2014).

## **Method**

### **Data Type**

Quantitative secondary data sets are the type of data used in this study. The existing data were then analyzed using statistics with the IBM SPSS 25 software tool.

### **Research Population**

This study uses the population to study in the form of all finance companies that already have business licenses issued by the Financial Services Authority, namely as many as 223 finance companies in Indonesia.

### **Research Sample**

The sample in this study is data in the form of NPF, BOPO, current ratio, and gearing ratio with a monthly database based on monthly reports submitted by finance companies to the Financial Services Authority. The data period was taken during normal times (before the spread of COVID-19) and during the period of the spread of COVID-19. The period before the spread of COVID-19 was for the period September 2018 to February 2020 and the period during which the spread of COVID-19 was March 2020 to August 2021. March 2020 was chosen as the transition point considering that March 2020 was the starting point for the spread of COVID-19 in Indonesia.

### **Research variable**

Independent variable and dependent variable are two types of variables used in this study. The level of NPF, BOPO, current ratio, and gearing ratio are the independent variables in this study. ROA level is used as the dependent variable of the study.

### **Analysis Method**

Data analysis in this study included classical assumption testing, multiple linear regression, Chow test, and hypothesis testing. Tests on the assumptions of classical regression were carried out in order to obtain a good and suitable model including the normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test.

## **Result and Discussion**

### **Classic assumption test**

All research data have passed the classical assumption test including normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test so that data analysis can be carried out to the next stage.

The Influence of NPF, BOPO, Current Ratio and Gearing Ratio on Financing Company Performance (Comparison Study of Financing Companies in Indonesia Before and During the Covid-19 Period)

**Multiple Linear Regression Before COVID-19**

Multiple linear regression analysis was carried out to find out how the relationship or influence is linearly between the independent variables in this case NPF, BOPO, current ratio, and gearing ratio to the independent variable in this case is ROA. The steps taken in carrying out multiple linear analysis in this study are as follows:

1. Coefficient of Determination (R<sup>2</sup>)

Table 1  
Coefficient of Determination Results Before COVID-19

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.986 <sup>a</sup>	.973	.964	.06852

a. Predictors: (Constant), GR, CR, NPF, BOPO

Source: OJK DPLP, processed

Based on Table 1 it can be seen that the Adjusted R Square value is 0.964 which indicates that 96.4% of the ROA variation can be explained by variations of the four independent variables in this case NPF, BOPO, current ratio, and gearing ratio, while the remaining 3.6 % can be explained by other reasons outside the model.

2. Statistical Test F

Table 2  
Statistical F Test Results Before COVID-19

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.182	4	.545	116.183	.000 <sup>b</sup>
	Residual	.061	13	.005		
	Total	2.243	17			

a. Dependent Variable: ROA  
b. Predictors: (Constant), GR, CR, NPF, BOPO

Source: OJK DPLP, processed

A regression model is declared fit if the Sig. (<0.05). Based on Table 2 it is known that the value of Sig. is equal to 0.000 (<0.05) so it can be concluded that the independent variables in this case NPF, BOPO, current ratio, and gearing ratio have a significant effect simultaneously (simultaneously) on the dependent variable (ROA).

3. Statistical Test t

Table 3  
Statistical Test Results t Before COVID-19

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	25.079	1.685		14.884	.000
	NPF	.273	.163	.151	1.676	.118
	BOPO	-.240	.027	-.817	-8.821	.000
	CR	-.003	.004	-.035	-.724	.482
	GR	-.616	.292	-.286	-2.107	.055

a. Dependent Variable: ROA

Source: OJK DPLP, processed

For the testing criteria for the t statistical test is if the value of Sig. <0.05 it can be concluded that there is a significant influence, and if the value of Sig. right at 0.05, to find out whether or not there is an influence of the independent variable on the dependent variable, you can use a comparison of t count with t table. Based on Table 3, it can be concluded how far one independent variable partially influences the dependent variable.

a. NPF variable

Based on Table 3 it is known that the value of Sig. the NPF variable is 0.118 ( $> 0.05$ ) and the statistical t value is 1.676. Thus it can be concluded that the NPF variable has no significant effect on the ROA variable for financing companies in Indonesia during normal times or before the COVID-19 pandemic. Based on this, the first hypothesis or H1 in this study which states that NPF has a negative effect on ROA of finance companies in Indonesia in normal times is rejected, because based on the results of hypothesis testing it shows that NPF has no significant effect on ROA of finance companies in Indonesia in normal times.

b. BOPO variable

Based on Table 3 it is known that the value of Sig. the BOPO variable is 0.000 ( $< 0.05$ ) and the statistical t value is -8.821. Thus it can be concluded that the BOPO variable has a negative and significant effect on the ROA variable for financing companies in Indonesia during normal times or before the COVID-19 pandemic. Based on this, the third hypothesis or H3 in this study which states that BOPO has a negative effect on ROA of finance companies in Indonesia in normal times is accepted, because based on the results of hypothesis testing it shows that BOPO has a negative and significant effect on ROA of finance companies in Indonesia in normal times.

c. Current ratio variable

Based on Table 3 it is known that the value of Sig. the current ratio variable is 0.482 ( $> 0.05$ ) and the statistical t value is -0.724. Thus it can be concluded that the current ratio variable has no significant effect on the ROA variable for financing companies in Indonesia during normal times or before the COVID-19 pandemic. Based on this, the fifth hypothesis or H5 in this study which states that the current ratio has a positive effect on the ROA of finance companies in Indonesia in normal times is rejected, because based on the results of the hypothesis test it shows that the current ratio has no significant effect on the ROA of finance companies in Indonesia in normal times.

d. Variable gearing ratio

Based on Table 3 it is known that the value of Sig. the gearing ratio variable is 0.055 ( $> 0.05$ ) and the statistical t value is -2.107. Thus it can be concluded that the gearing ratio variable has no significant effect on the ROA variable for financing companies in Indonesia during normal times or before the COVID-19 pandemic. Based on this, the seventh hypothesis or H7 in this study which states that the gearing ratio has a positive effect on the ROA of finance companies in Indonesia in normal times is rejected, because based on the results of hypothesis testing it shows that the current ratio has no significant effect on the ROA of finance companies in Indonesia in normal times.

Furthermore, for the multiple linear regression analysis equation based on Table 3, the following equation can be obtained:

$$Y = 25.079 + 0.273X_1 - 0.240X_2 - 0.003X_3 - 0.616X_4$$

With Y is ROA, X<sub>1</sub> is NPF, X<sub>2</sub> is BOPO, X<sub>3</sub> is the current ratio, and X<sub>4</sub> is the gearing ratio, it can be concluded:

- The constant value obtained is 25.079, which means that if the independent variable is 0 (constant), then the dependent variable is 25.079.
- The value of the regression coefficient of the NPF variable is (+) of 0.273, so it can be interpreted that if the NPF variable increases, the ROA variable will also increase, and vice versa.

The Influence of NPF, BOPO, Current Ratio and Gearing Ratio on Financing Company Performance (Comparison Study of Financing Companies in Indonesia Before and During the Covid-19 Period)

- c. The value of the regression coefficient for the BOPO variable is (-) of -0.240, so it can be interpreted that if the BOPO variable increases, the ROA variable will decrease, and vice versa.
- d. The regression coefficient value of the current ratio variable is (-) of -0.003, so it can be interpreted that if the current ratio variable increases, the ROA variable will decrease, and vice versa.
- e. The regression coefficient value of the gearing ratio variable is (-) equal to -0.616, so it can be interpreted that if the gearing ratio variable increases, the ROA variable will decrease, and vice versa.

**Multiple Linear Regression During COVID-19**

1. Coefficient of Determination (R<sup>2</sup>)

Table 4  
Coefficient of Determination Results During COVID-19

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.758 <sup>a</sup>	.575	.445	.70870

a. Predictors: (Constant), GR, NPF, CR, BOPO

Source: OJK DPLP, processed

Based on Table 4 it can be seen that the value *Adjusted R Square* is equal to 0.445 which indicates that 44.5% of the ROA variation can be explained by variations of the four independent variables in this case NPF, BOPO, current ratio, and gearing ratio, while the remaining 3.6% can be explained by other causes outside model.

2. Statistical Test F

Table 5  
Statistical F Test Results During COVID-19

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.843	4	2.211	4.402	.018 <sup>b</sup>
	Residual	6.529	13	.502		
	Total	15.373	17			

a. Dependent Variable: ROA  
b. Predictors: (Constant), GR, NPF, CR, BOPO

Source: OJK DPLP, processed

A regression model is declared fit if the Sig. (<0.05). Based on Table 5 it is known that the value of Sig. is equal to 0.018 (<0.05) so it can be concluded that the independent variables in this case NPF, BOPO, current ratio, and gearing ratio have a significant effect simultaneously (simultaneously) on the dependent variable (ROA).

3. Statistical Test t

Table 6  
Statistical Test Results t During COVID-19

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	14.851	17.622		.843	.415
	NPF	.170	.435	.125	.392	.702
	BOPO	-.139	.075	-.638	-1.845	.088
	CR	-.069	.132	-.163	-.520	.612
	GR	2.639	1.185	.714	2.228	.044

a. Dependent Variable: ROA

Source: OJK DPLP, processed

For the testing criteria for the t statistical test is if the value of Sig.  $< 0.05$  it can be concluded that there is a significant influence, and if the value of Sig. right at  $0.05$ , to find out whether or not there is an influence of the independent variable on the dependent variable, you can use a comparison of t count with t table. Based on Table 6 it can be concluded how far one independent variable partially influences the dependent variable.

e. NPF variable

Based on Table 6 it is known that the value of Sig. the NPF variable is  $0.702 (> 0.05)$  and the statistical t value is  $0.392$ . Thus it can be concluded that the NPF variable has no significant effect on the ROA variable for financing companies in Indonesia during the COVID-19 period. Based on this, the second hypothesis or H2 in this study which stated that NPF had a negative effect on the ROA of finance companies in Indonesia during the COVID-19 period was rejected, because based on the results of the hypothesis test it showed that NPF had no significant effect on the ROA of financing companies in Indonesia during the COVID-19 period. .

f. BOPO variable

Based on Table 6 it is known that the value of Sig. the BOPO variable is  $0.088 (> 0.05)$  and the statistical t value is  $-1.845$ . Thus it can be concluded that the BOPO variable has no significant effect on the ROA variable for financing companies in Indonesia during the COVID-19 period. Based on this, the fourth hypothesis or H4 in this study which stated that BOPO had a negative effect on the ROA of finance companies in Indonesia in normal times was rejected, because based on the results of the hypothesis test it showed that BOPO had no significant effect on the ROA of finance companies in Indonesia during the COVID-19 period.

g. Current ratio variable

Based on Table 6 it is known that the value of Sig. the current ratio variable is  $0.612 (> 0.05)$  and the statistical t value is  $-0.520$ . Thus it can be concluded that the current ratio variable has no significant effect on the ROA variable for financing companies in Indonesia during the COVID-19 period. Based on this, the sixth hypothesis or H6 in this study which stated that the current ratio had a positive effect on the ROA of finance companies in Indonesia during the COVID-19 period was rejected, because based on the results of the hypothesis test it showed that the current ratio had no significant effect on the ROA of finance companies in Indonesia during the COVID-19 period. -19.

h. Variable gearing ratio

Based on Table 6 it is known that the value of Sig. the gearing ratio variable is  $0.044 (< 0.05)$  and the statistical t value is  $2.228$ . Thus it can be concluded that the gearing

## The Influence of NPF, BOPO, Current Ratio and Gearing Ratio on Financing Company Performance (Comparison Study of Financing Companies in Indonesia Before and During the Covid-19 Period)

ratio variable has a positive and significant effect on the ROA variable for financing companies in Indonesia during the COVID-19 period. Based on this, the eighth hypothesis or H8 in this study which stated that the gearing ratio had a negative effect on the ROA of finance companies in Indonesia during the COVID-19 period was rejected, because based on the results of the hypothesis test it showed that the gearing ratio had a positive and significant effect on the ROA of finance companies in Indonesia during COVID -19.

Furthermore, for the multiple linear regression analysis equation based on Table 6, the following equation can be obtained:

$$Y = 14.851 + 0.170X_1 - 0.139X_2 - 0.069X_3 + 2.639X_4$$

With Y is ROA, X<sub>1</sub> is NPF, X<sub>2</sub> is BOPO, X<sub>3</sub> is the current ratio, and X<sub>4</sub> is the gearing ratio, it can be concluded:

- The constant value obtained is 14.851, so it can be interpreted that if the independent variable is 0 (constant), then the dependent variable is 14.851.
- The regression coefficient value of the NPF variable is (+) equal to 0.17, so it can be interpreted that if the NPF variable increases, the ROA variable will also increase, and vice versa.
- The value of the regression coefficient for the BOPO variable is (-) of -0.139, so it can be interpreted that if the BOPO variable increases, the ROA variable will decrease, and vice versa.
- The regression coefficient value of the current ratio variable is (-) of -0.069, so it can be interpreted that if the current ratio variable increases, the ROA variable will decrease, and vice versa.

The regression coefficient value of the gearing ratio variable is (+) equal to 2.6394, so it can be interpreted that if the gearing ratio variable increases, the ROA variable will increase, and vice versa.

### Chow test

To test the ninth hypothesis or H9 in this study, the Chow test will be used. The Chow test is a tool for testing the test for equality of coefficients or coefficient similarity test if the observed results can be grouped into two or more groups (Ghozali, 2018). In this study, a comparison will be made of the effect of NPF, BOPO, current ratio and gearing ratio on the ROA of finance companies in Indonesia before and during COVID-19.

In the Chow test, the calculated F value will be compared with the F table. If the calculated F value > table F value, the researcher rejects the null hypothesis and concludes that there is a difference in the regression model of the two subjects.

Ho: F Count < F Table = there is no difference between the period before and during COVID-19.

Ha: F Count > F Table = there is a difference between the period before and during COVID-19.

In calculating F Count for the Chow test, you can use the formula:

$$F \text{ Count} = \frac{(RSS_r - RSS_{sur}) / k}{(RSS_{sur}) / (n_1 + n_2 - 2k)}$$

RSS<sub>r</sub> : *Sum squared residue* of the total regression.

RSS<sub>sur</sub> : *Summation Sum squared residual regression* period before COVID-19 and *Sum squared residual regression* during COVID-19.

df : (n<sub>1</sub> + n<sub>2</sub> - 2k)

To be able to find out the RSSr, an F statistical test is needed from all the data used in this study, namely before COVID-19 and during COVID-19, in this case the period Sep-18 to Aug-21. The results of the F statistical test of the total data are as follows:

Table 7  
Statistical F Test Results before and During COVID-19

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	77.894	4	19.474	44.403	.000 <sup>b</sup>
	Residual	13.596	31	.439		
	Total	91.490	35			

a. Dependent Variable: ROA  
b. Predictors: (Constant), GR, CR, BOPO, NPF

Source: OJK DPLP, processed

$$\begin{aligned}
 \text{RSSr (RSS3)} &= 13.596 \\
 \text{RSSur} &= \text{RSS1} + \text{RSS2} = 0.061 + 6.529 = 6.59 \\
 n_1 &= 18 & n_2 &= 18 & k &= 5 & df &= (n_1 + n_2 - k) = 36 - 5 = 31 \\
 \text{F Count} &= \frac{(13.596 - 6.59) / 5}{(6.59) / (18 + 18 - 10)} \\
 &= \frac{(7.006) / 5}{(6.59) / 26} \\
 &= 1.4012 / 0.253 = 5.54
 \end{aligned}$$

From table F with df = 4 and 31 a significance level of 0.05 will get an F table value of 2.68. Because the calculated F value is greater than F table (5.54 > 2.68), the Ho from the Chow test is rejected, which means that there are differences in the effect of NPF, BOPO, current ratio, and gearing ratio on ROA of finance companies in Indonesia in normal times and during the time of COVID-19. Thus the ninth hypothesis or H9 in this study is accepted.

## Discussion/Results

### The Influence of NPF on the ROA of Financing Companies in Indonesia

In this study, the first hypothesis (H1) states that NPF affects the ROA of multifinance companies in Indonesia in normal times. This is based on previous research conducted by Maria Esomar and Meiske Wenno (2021) with the results of the research that NPF has a significant negative effect on the ROA of finance companies. This is in line with one of the uses of the NPF to identify credit risks associated with financing company lending activities. A large NPF value indicates that there are many receivables from finance companies that cannot be billed back into the finance company's treasury where in the end the finance company's income will be low and it is likely to cause losses for the finance company which in turn can result in the finance company's financial performance in this case. ROA has decreased. However, based on the results of this study during normal times, namely the period from Sep-18 to Feb-20, it can be concluded that the NPF did not have a significant effect on the ROA of finance companies in Indonesia during that period. Thus the hypothesis which states that NPF has a negative effect on the ROA of financing companies in Indonesia in normal times is rejected. However, based on the results of this study during normal times, namely the period from Sep-18 to Feb-20, it can be concluded that the NPF did not have a significant effect on the ROA of finance companies in Indonesia during that period. Thus the hypothesis which states that NPF has a negative effect on the ROA of financing companies in Indonesia in normal

## The Influence of NPF, BOPO, Current Ratio and Gearing Ratio on Financing Company Performance (Comparation Study of Financing Companies in Indonesia Before and During the Covid-19 Period)

times is rejected. However, based on the results of this study during normal times, namely the period from Sep-18 to Feb-20, it can be concluded that the NPF did not have a significant effect on the ROA of finance companies in Indonesia during that period. Thus the hypothesis which states that NPF has a negative effect on the ROA of financing companies in Indonesia in normal times is rejected.

For the second hypothesis (H2) in this study it is also stated that NPF has a negative effect on the ROA of finance companies in Indonesia during the COVID-19 period. However, based on the results of the hypothesis testing obtained in this study, it is known that the NPF variable has no significant effect on the ROA variable for financing companies in Indonesia during the COVID-19 period. Thus it can be concluded that the second hypothesis or H2 is also rejected.

### **The effect of BOPO on the ROA of Financing Companies in Indonesia**

The third hypothesis or H3 in this study states that BOPO has a negative effect on the ROA of finance companies in Indonesia during normal times. This third hypothesis is based on previous research conducted by Edhi Satriyo Wibowo and Muhammad Syaichu (2013) who conducted an analysis of the effect of interest rates, inflation, NPF, CAR, and BOPO on ROA of Islamic banks, obtaining research results that BOPO has a significant negative effect on ROA. The use of this research as the basis for the third hypothesis related to the effect of BOPO on the ROA of finance companies in Indonesia is due to the fact that until this research was conducted, the authors had not been able to find previous studies that attempted to examine how BOPO influences the ROA of finance companies in Indonesia.

Furthermore, based on the results of the hypothesis testing conducted in this study, it is known that the BOPO variable has a negative and significant effect on the ROA variable for financing companies in Indonesia during normal times or before the COVID-19 pandemic. Thus the third hypothesis or H3 in this study is accepted.

For the fourth hypothesis or H4 in this study it is stated that BOPO has a negative effect on the ROA of finance companies in Indonesia during the COVID-19 period. Based on the hypothesis testing that has been carried out in this study, it can be concluded that the BOPO variable has no significant effect on the ROA variable for financing companies in Indonesia during the COVID-19 period. This is different from tests carried out during the pre-COVID-19 period, as previously explained, that the BOPO variable has a negative and significant effect on the ROA variable. Therefore the fourth hypothesis or H4 in this study was rejected.

### **The Effect of Current Ratio on the ROA of Financing Companies in Indonesia**

The fifth hypothesis or H5 in this study states that the current ratio has a positive effect on the ROA of finance companies in Indonesia during normal times. This is based on the research by Mahardhika PA and Marbun DP (2016) which examines the effect of the current ratio and debt to equity ratio on ROA in banks in Indonesia that have large capitalization where the research results show that the current ratio has a significant positive effect on ROA. The use of research on the banking sector as a basic hypothesis considering that until the research was carried out, the authors had not been able to find previous research that attempted to examine how the current ratio influences the ROA of finance companies in Indonesia. Based on the results obtained in this study, it can be concluded that the current ratio variable has no significant effect on the ROA variable for financing companies in Indonesia during normal times or before the COVID-19 pandemic. Thus the fifth hypothesis or H5 in this study was rejected.

Furthermore, the sixth hypothesis or H6 in this study states that *current ratio* had a positive effect on the ROA of finance companies in Indonesia during the COVID-19 period. Based on the results of the hypothesis testing that has been carried out in this study, it is known that the current ratio variable has no significant effect on the ROA variable for financing companies in Indonesia during the COVID-19 period. Based on this, the sixth hypothesis or H6 in this study which stated that the current ratio had a positive effect on the ROA of finance companies in Indonesia during the COVID-19 period was rejected.

#### **Effect of Gearing Ratio on ROA of Finance Companies in Indonesia**

The seventh hypothesis or H7 in this study states that the gearing ratio has a negative effect on the ROA of finance companies in Indonesia during normal times. This is based on previous research conducted by Maria JF Esomar and Meiske Wenno (2021) which examined the effect of NPF and gearing ratios on the profitability (ROA) of multi-finance companies listed on the Indonesia Stock Exchange where the results obtained showed that the gearing ratio had a significant negative effect on ROA. Based on the results of the hypothesis testing that has been carried out in this study, it is known that the gearing ratio variable has no significant effect on the ROA variable for financing companies in Indonesia during normal times or before the COVID-19 pandemic.

Whereas for the eighth hypothesis or H8 in this study it is stated that the gearing ratio has a negative effect on the ROA of finance companies in Indonesia during the COVID-19 period. The research results obtained in this study concluded that the gearing ratio variable had a positive and significant effect on the ROA variable for financing companies in Indonesia during the COVID-19 period. This is different from the results of research for the period before COVID-19 which stated that the gearing ratio variable had no significant effect on the ROA variable. The results of this study are also different from previous studies which state that the gearing ratio has a negative and significant effect on ROA.

#### **Effect of NPF, BOPO, Current Ratio, and Gearing Ratio on ROA of Finance Companies in Indonesia**

The ninth hypothesis or (H9) in this study is that there are differences in the effect of NPF, BOPO, current ratio, and gearing ratio on the ROA of finance companies in Indonesia during normal times and during the COVID-19 period. To test this hypothesis in this study a hypothesis test was carried out on existing data using the Chow test method (Chow test). Before discussing how the results of the Chow test are to find out whether there are differences in the effect of NPF, BOPO, current ratio, and gearing ratio on the ROA of finance companies in Indonesia during normal times and during the COVID-19 period, it can also be stated that based on the results of the F statistical test that has been carried out in the study it can be concluded that NPF, BOPO, current ratio, and the gearing ratio has a significant simultaneous effect on the ROA of finance companies in Indonesia, both during the pre-COVID-19 and during the COVID-19 period. In addition, based on the output coefficient of determination obtained in this study, it is known that in the pre-COVID-19 period the contribution of the NPF, BOPO, current ratio, and gearing ratio variables to the ROA variable of financing companies in Indonesia was jointly (simultaneously) 96, 4%. Meanwhile, during the COVID-19 period, the contribution of the NPF, BOPO, current ratio, and gearing ratio variables to the ROA variable for financing companies in Indonesia simultaneously decreased to 44.5%. Furthermore, the results obtained based on the Chow test that has been carried out in this study are that

## The Influence of NPF, BOPO, Current Ratio and Gearing Ratio on Financing Company Performance (Comparison Study of Financing Companies in Indonesia Before and During the Covid-19 Period)

there are differences in the effect of NPF, BOPO, current ratio, and gearing ratio on the ROA of finance companies in Indonesia during normal times and during the COVID-19 period. Thus the ninth hypothesis or H9 in this study is accepted.

### Conclusion

- a. Sig. Value the NPF variable is 0.118 ( $> 0.05$ ) and the statistical t value is 1.676. Thus it can be concluded that the NPF variable has no significant effect on the ROA variable for financing companies in Indonesia during normal times or before the COVID-19 pandemic so that the H1 hypothesis is rejected.
- b. Sig. Value the NPF variable is 0.702 ( $> 0.05$ ) and the statistical t value is 0.392. Thus it can be concluded that the NPF variable did not have a significant effect on the ROA variable for financing companies in Indonesia during the COVID-19 period so that the H2 hypothesis was rejected.
- c. Sig. Value the BOPO variable is 0.000 ( $< 0.05$ ) and the statistical t value is -8.821. Thus it can be concluded that the BOPO variable has a negative and significant effect on the ROA variable for financing companies in Indonesia during normal times or before the COVID-19 pandemic so that the H3 hypothesis is accepted.
- d. Sig. Value the BOPO variable is 0.088 ( $> 0.05$ ) and the statistical t value is -1.845. Thus it can be concluded that the BOPO variable has no significant effect on the ROA variable for finance companies in Indonesia during the COVID-19 period so that the H4 hypothesis is rejected.
- e. Sig. Value the current ratio variable is 0.482 ( $> 0.05$ ) and the statistical t value is -0.724. Thus it can be concluded that the current ratio variable has no significant effect on the ROA variable for financing companies in Indonesia during normal times or before the COVID-19 pandemic so that the H5 hypothesis is rejected.
- f. Sig. Value the current ratio variable is 0.612 ( $> 0.05$ ) and the statistical t value is -0.520. Thus it can be concluded that the current ratio variable has no significant effect on the ROA variable for finance companies in Indonesia during the COVID-19 period so that the H6 hypothesis is rejected.
- g. Sig. Value the gearing ratio variable is 0.055 ( $> 0.05$ ) and the statistical t value is -2.107. Thus it can be concluded that the gearing ratio variable has no significant effect on the ROA variable for financing companies in Indonesia during normal times or before the COVID-19 pandemic so that the H7 hypothesis is rejected.
- h. Sig. Value the gearing ratio variable is 0.044 ( $< 0.05$ ) and the statistical t value is 2.228. Thus it can be concluded that the gearing ratio variable has a positive and significant effect on the ROA variable for financing companies in Indonesia during the COVID-19 period so that the H8 hypothesis is rejected.
- i. The calculated F value is greater than F Table ( $5.54 > 2.68$ ) then  $H_0$  from the Chow test is rejected which means that there are differences in the effect of NPF, BOPO, current ratio, and gearing ratio on ROA of finance companies in Indonesia in normal times and during the COVID-19 period so that the H9 hypothesis is accepted.

The research conducted has limitations where the research is a comparative study to compare how the effect of NPF, BOPO, current ratio, and gearing ratio on finance companies in Indonesia during normal times before the COVID-19 pandemic and during the COVID-19 pandemic. There is a limitation on the timeframe for comparing the research data used in this study where the timeframe for the research data used is tied to the period during which the COVID-19 pandemic took place taking into account the peak period of the COVID-19 pandemic. The comparison period is the normal period before the COVID-19 pandemic for the period September 2018 to February 2020 and the period during the spread of COVID-19 is March 2020 to August 2021.

## REFERENCES

- Dendawijaya, L. (2009), *Banking Management*, Ghalia Indonesia Publishers.
- Esomar, Mary. 2021. "Analysis of the Impact of Covid-19 on the Financial Performance of Finance Companies in Indonesia." *Journal of Business, Management and Economics*.
- Esomar, Maria, and Meiske Wenno. 2021. "The Effect of NPF and Gearing Ratios on the Profitability of Multifinance Companies Listed on the Indonesia Stock Exchange." *Journal of Science Socio Humanities*.
- Faisal, Ahmad, Rande Samben, and Salmah Pattisahusiwa. 2018. "Financial Performance Analysis." *PERFORMANCE*.
- Fauzi, Ahmad. 2018. "Non-performing loans, NPL and their impact on company performance in financing companies." *Jumabis: Journal of Management and Business*2(1).
- Ghozali, I. (2018). *Multivariate Analysis Application with IBM SPSS 25 Program 9th Edition*. Semarang: Diponegoro University Publishing Agency.
- Grove, Glenn, Marinus DeBruine, John Y. Lee and Jose F. Tudon Maldonado. 2014. "The Profitability and Performance Measurement of US Regional Banks Using The Predictive Focus of The "Fundamental Analysis Research." *Advances in Management Accounting*, Volume 24, 189-237.
- Gunawati, Anne, and Agus Prihartono PS. 2021. RELATIONSHIP TO THE RESTRUCTURING OF MOTORCYCLE CONSUMER FINANCING AGREEMENTS WITH POJK NO. 11/POJK. 03/2020 CONCERNING NATIONAL ECONOMIC STIMULUS." *Legal Standing: Journal of Legal Studies*5(1): 104–12.
- James C, Van Horne and Wachowichz, JM, 2005. *Principles of Financial Management*. Twelfth Edition, Jakarta, Salemba Empat.
- Kaisupy, Nur Piyatd Fitri, Wiwit Mustafidah, and Vina Septiana Permatasari, 2022. "Comparative Analysis of the Financial Performance of Sharia and Conventional Financing Companies for 2017-2021." *Journal of Sharia Economics Darussalam* Vol 3 No 2 August 2022 .
- Cashmere. 2016. *Analysis of Financial Statements*. Jakarta: Raja Grafindo Persada.
- Lestari, Novi Puji. 2019. "Organizing the Indonesian Economy." *Archives of Scientific Publications Bureau of Academic Administration*.
- Mahardhika, PA 2016. "The Effect of Current Ratio and Debt to Equity Ratio on Return On Assets." *Widyakala* Volume 3 March 2016.

The Influence of NPF, BOPO, Current Ratio and Gearing Ratio on Financing Company Performance (Comparation Study of Financing Companies in Indonesia Before and During the Covid-19 Period)

- Marfianto, and Nuryasman, M. (2019). The Effect of Financial Ratios, Corporate Governance on Financial Difficulties in Mining Companies. *Journal of Managerial and Entrepreneurship*, I(4), 862–871.
- Marginingsih, Ratnawaty (2017). Company Performance Assessment Using Financial Ratio Analysis on Telecommunications Companies in Indonesia. *Cakrawala Journal*, Vol. XVII, No. 1.
- Martani, Dwi, and Ronald R. Munaiseche, 2009. Factors Affecting Profitability of Multi-finance Companies in Indonesia.
- Munawir. 2010. Jakarta: Salemba Empat Analysis of Financial Statements 4th Edition.
- OJK. (2018). POJK No 35/POJK.05/2020.
- OJK. (2020). POJK No 47/POJK.05/2020.
- OJK. (2021). SEOJK No 11/SEOJK.05/2020
- Ruspandi, Hasan, and Rusdayanti Asma. 2016. "Factors Affecting the Profitability of Finance Companies in Indonesia." *JWM (Journal of Management Insights)*2(1): 97–118.
- Sihabudin, et al. (2021). *Basic Econometrics, SPSS-Based Theory and Practice*. Central Java: CV. Pen Persada.
- Wibowo, ES, Syaichu, M., & Management, J. (2013). ANALYSIS OF THE INFLUENCE OF INTEREST RATE, INFLATION, CAR, BOPO, NPF ON PROFITABILITY OF SHARIA BANK. *DIPONEGORO JOURNAL OF MANAGEMENT*.
- World health organization. accessed at: [www.who.int/https://www.who.int/news-room/qa-detail/coronavirus-disease-Covid-19](http://www.who.int/https://www.who.int/news-room/qa-detail/coronavirus-disease-Covid-19)
- World Health Organization. (2021). accessed on: [www.who.int/https://www.who.int/indonesia/news/novel-coronavirus/qa/qa-for-public](http://www.who.int/https://www.who.int/indonesia/news/novel-coronavirus/qa/qa-for-public)

---

**Copyright holder:**

Rizky Muhammad Harris, Wisnu Mawardi (2023)

**First publication right:**

Equivalent: [Jurnal Ilmiah Sosial Teknik](#)

**This article is licensed under:**

