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THE COMPARATIVE ANALYSIS OF FINANCIAL PERFORMANCE BETWEEN REGIONAL DEVELOPMENT BANKS IN JAVA AND BORNEO FOR THE PERIOD 2019-2023

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ABSTRACT

The banking sector has undergone a substantial transformation. The industry has shifted towards digital and automated systems, thereby promoting increased operational efficiency and enhanced customer service. Regional Development Banks (RDBs) are progressively faced with the necessity to adapt and evolve in response to rapid technological innovations, changing market dynamics, and intensifying competition within the financial services landscape. This research aims to undertake a comparative analysis of the financial performance of RDBs located in Java and Borneo during the timeframe from 2019 to 2023. Furthermore, this study employs a comparative methodology to evaluate the financial performance of RDBs in Java and Borneo utilizing CAR, NIM, NPL, and ROA ratios. The findings of this research reveal a significant disparity in financial performance concerning the NIM ratio of RDBs in Java and Borneo. Conversely, there is no significant variance in financial performance regarding the CAR, NPL, and ROA ratios of RDBs in Java and Borneo.
Keywords: Banking, CAR, NIM, NPL, RDB.

1. INTRODUCTION

The banking sector in Indonesia has demonstrated its preparedness and robustness in confronting a myriad of challenges, particularly those that emerged during the politically charged year. However, the effectiveness in surmounting alterations and adeptly managing the associated risks is contingent not solely on resilience but also on the banks' capacity to innovate and rapidly adjust to the evolving environment. In this regard, the dynamic transformations within the business milieu compel financial institutions to incessantly seek novel strategies to endure and flourish in the face of uncertainty [1]. Banking industries constitute the sole economic entities that act as barometers of a nation's stability. Their function significantly influences the flow of currency; thus, even the most minor error can precipitate inflation or deflation, which undeniably poses threats to both the nation and its populace [2].

In recent decades, the banking sector has experienced a profound transformation. The industry has transitioned towards digital and automated frameworks, facilitating enhanced operational efficiency and superior customer service. Within a global framework, scholarly investigations into banking strategies that respond to market and technological fluctuations hold substantial significance, as each nation confronts distinct challenges and opportunities. In economically advanced nations, the integration of technology within banking has attained substantial prominence, whereas in emerging economies, the primary obstacles pertain to technological infrastructure and digital literacy [3]. Nevertheless, while digitalization yields beneficial effects and advantages, it concurrently introduces detrimental ramifications for banking financial institutions, particularly in light of the inherent risks associated with the pivotal role that banks fulfill in mobilizing public funds. Consequently, coordinated initiatives are imperative to mitigate the negative repercussions that financial misconduct within the banking sector may engender [4].

The financial performance of a banking institution serves as a pivotal metric for evaluating its efficacy in executing operational functions [5]. The financial performance of a corporation serves as an indicator of accomplishments over a specified timeframe and can signify fluctuations in asset prices and stock yield. The assessment of a bank's financial performance is predicated on a variety of evaluative benchmarks, wherein accurate and effective performance is contingent upon the judicious selection of relevant criteria and methodologies [6]. Research into the financial performance of banks within the Indonesian context were undertaken by [7] and [5].

Research conducted [7] on Bank Syariah Indonesia Tbk shows that Indonesian Islamic banks can show health and stability in their operations, despite a decrease in several performance indicators. So the results of this study provide valuable insight for stakeholders in the Islamic banking industry to improve bank performance and stability.

Research undertaken by [5] illustrates that the financial performance of conventional banking institutions in Indonesia, particularly in the context of the COVID-19 pandemic, is significantly impacted by factors such as credit risk, liquidity, and the scale of the bank. The findings of this investigation revealed that elevated NPL ratios adversely affect ROA ratios. Conversely, an increase in bank size along with a heightened LDR ratio positively contributes to ROA. The implementation of effective risk management strategies and operational efficiency is crucial for enhancing financial performance in the face of challenging economic circumstances.

The Regional Development Bank (RDB) constitutes a financial institution established in accordance with provincial regulations, wherein a predominant portion of its shares is held by municipal and district governments pertinent to the respective region, with its capital being classified as a distinct asset of the regional government. The RDB represents an integral component of a consortium of financial entities that significantly contribute to the stimulation of the regional economy. It is posited that this is attributable to the RDB's role as a regional cash custodian, wherein it engages in activities aimed at furnishing financial resources for the execution of enterprises or initiatives within the region [8]. Nevertheless, RDBs are increasingly confronted with the imperative to adapt and transform in light of swift technological advancements, shifting market dynamics, and escalating competition within the financial services sector. Such challenges underscore the urgency for the adoption of efficacious business transformation strategies to enhance organizational efficacy and secure enduring sustainability [9].

[10] undertook an empirical investigation concerning the financial performance of RDB, with particular emphasis on PT Bank Jabar KC Tamansari during the temporal span from 2015 to 2020. This research employs the financial ratios of ROA, BOPO, NPL, and NPM as metrics for evaluating the bank's performance. The findings of this study reveal that the ROA and NPM ratios exert a significant positive influence on profit growth. This underscores the notion that enhanced financial performance correlates with increased profitability. Conversely, the BOPO and NPL ratios exhibit a detrimental effect. These findings underscore the critical role of effective financial management in augmenting the profitability of the bank.
[11] undertook an investigation into the financial performance of RDBs that are publicly traded on the Indonesia Stock Exchange during the time frame of 2017 to 2022. The research meticulously analyzed the financial performance metrics of RDBs in the temporal context before and subsequent to the declaration of the Covid-19 pandemic. This study employs the CAR, NPL, ROA, ROE, NIM, BOPO, and LDR ratios as indicators to assess the financial performance of these RDBs. The findings of this research reveal that there exists no statistically significant variance in the CAR, NPL, and ROE ratios of RDBs when comparing the periods preceding and following the announcement of Covid-19. In contrast, this analysis also elucidates that significant disparities are present in the ROA, NIM, and BOPO ratios of RDBs when assessed before and after the announcement of Covid-19.

Research on the fiscal efficacy of various RDBs within Indonesia was undertaken by [12]. This study employs the CAR, BOPO, and ROA ratios to assess financial performance. The findings of this research demonstrate that the CAR ratio exerts a significant positive influence on profitability as measured by the ROA ratio, whereas the BOPO ratio displays a significant negative influence on profitability as evidenced by the ROA ratio.

The financial performance of RDBs in Java and Borneo is pivotal to the economic advancement of these territories. Through the comparative analysis of the financial performance of these institutions, one can derive insights regarding the efficacy of their operations and their impact on the local economy. This study intends to conduct a comparative analysis of the financial performance of RDBs situated in Java and Borneo. The research will employ a range of financial ratios and indicators, including CAR, NIM, NPL, and ROA ratios, to assess their financial performance. The outcomes of this analysis are anticipated to yield valuable recommendations for bank management and stakeholders, aimed at enhancing performance and fostering competitiveness within the banking sector.

2. LITERATURE REVIEW

2.1. Regional Development Bank (RDB).

The Regional Development Bank (RDB) represents one of the regional financial institutions owned by provincial and municipal governments across Indonesia, which offers banking services akin to those provided by other government-owned commercial banks and private national commercial banks [8]. The significance of banks, including RDBs, is paramount in facilitating transactions within contemporary society. They not only engage in the functions of deposit-taking and lending but also play a crucial role in stimulating the regional economy by offering financing for developmental initiatives. Assessing the performance and operational efficacy of RDBs is essential for ensuring their sustainability and their

contributions to the regional economy. Nevertheless, the influx of funds into the regional treasury necessitates the formulation of additional strategies aimed at enhancing the operational performance of RDBs [12]. RDBs demonstrated commendable financial management capabilities amidst the challenges posed by the Covid-19 pandemic that impacted Indonesia [13].

2.2. Financial Performance

Financial performance constitutes the resultant achievement attained by a company's management in executing its role of proficiently overseeing the organization's assets over a specified timeframe. Financial performance signifies the capacity of management to realize success in its operational endeavors [14]. The analysis of financial performance entails a systematic approach to gathering, computing, evaluating, interpreting, and addressing the financial challenges faced by the organization within a defined period. When the financial status of the company is favorable, there will be an enhancement in its business valuation [15]. The assessment of financial performance can be conducted by examining the financial statements of a banking institution or corporation, which comprise various elements, including financial ratios [13].

A prevalent methodology employed to evaluate the financial performance of an enterprise is the utilization of financial ratios. The application of financial ratio analysis facilitates organizations in conducting a comprehensive assessment of their financial performance and acquiring pertinent data for future strategic planning [16]. Financial ratio analysis serves as a mechanism for assessing the financial performance of an organization [14]. This analytical approach is instrumental in determining the fiscal health of an enterprise, thereby enabling it to secure investment or loan capital for operational management. Financial ratios encompass various categories, including liquidity, solvency, profitability, and activity ratios [15]. Ratios should be perceived as an initial point of analysis rather than a definitive conclusion. Ratio analysis possesses the capacity to unveil significant interrelations and furnish a foundation for comparative analysis, thereby aiding in the identification of conditions and trends that may remain obscured when examining each constituent of the ratio in isolation [17].

Research employing financial ratio analysis to evaluate corporate performance has been undertaken by [15], [5], and [10]. The study conducted by [15] incorporated financial ratios including the Current Ratio, Quick Ratio, DAR, DER, GPM, OPM, NPM, ROA, and ROE ratios to assess the financial performance of PT Baturaja Cement (Persero). In their investigation, [5] employed the NPL, LDR, and ROA ratios to evaluate the financial performance of conventional banks listed on the Indonesia Stock Exchange over the period from 2014 to 2023. The research conducted by [10] utilized the ROA, BOPO, NPL, and NPM ratios to measure the financial performance of PT Bank Jabar KC during the years 2015 to 2022. In the present study, the financial ratios employed consist of the CAR, NIM, NPL, and ROA ratios.

2.2.1. Capital Adequacy Ratio (CAR)

The Capital Adequacy Ratio (CAR) assesses the sufficiency of capital possessed by financial institutions in relation to the risks inherent in their assets. This ratio is computed as a ratio between the bank's capital and its Risk Weighted Assets (RWA) [7]. CAR ratio serves multiple purposes, including facilitating operational financing, acting as a precautionary measure for various instruments, and functioning as a tool for business growth [18]. Originally, CAR ratio was employed primarily as a metric for evaluating credit risk. Nevertheless, with the evolution of the banking sector and the emergence of diverse risk categories, CAR ratio has transformed into a comprehensive tool for risk assessment. Furthermore, central banks and regulatory authorities utilize CAR ratio as a mechanism to assess the financial stability of banking institutions globally. An elevated CAR ratio signifies that the institution is equipped to undertake higher risks and demonstrates enhanced financial robustness [19].

2.2.2. Net Interest Margin (NIM)

The Net Interest Margin (NIM) serves as an indicator of a company's performance ratio in generating net interest income through the allocation of productive assets [18]. NIM ratio is defined as the ratio of net interest income to the average earning assets. NIM ratio is regarded as a pivotal metric employed to assess the efficacy of managing a bank's financial assets and liabilities. It embodies the operational efficiency in the administration of financial assets and liabilities [17]. Furthermore, the NIM ratio can denote certain risks that may emerge as a consequence of fluctuations in the market, which could adversely affect the growth trajectory of banking institutions. Additionally, there exists a positive correlation between NIM ratio and profitability; thus, an increase in the NIM ratio of a bank typically indicates a corresponding rise in the bank's profits [18].

2.2.3. Non Performing Loan (NPL)

The Non-Performing Loan (NPL) ratio is derived from the assessment of the proportion of non-performing loans relative to the aggregate loans disbursed by the financial institution [7]. An elevated NPL ratio may signify an increased credit risk, which has the potential to lead to considerable financial determinants for the banking entity. NPL ratio can engender uncertainty pertaining to prospective cash flows and augment liquidity risk, which may jeopardize the financial stability of the institution. NPL ratio serve as a manifestation of the credit risk encountered by banking organizations [17].

2.2.4. Return on Assets (ROA)

The Return on Assets (ROA) ratio provides critical insights regarding a company's profitability, which is determined by evaluating the rate of return on the company's assets. A high ROA ratio serves as a favorable indicator for potential investors, as it suggests robust financial performance; consequently, this encourages investors to consider allocating their capital or acquiring equity in the organization. Elevated profitability levels are perceived as advantageous signals for investors, fostering an environment conducive to investment in the company, thereby enhancing the potential appreciation of their [10].

The ROA ratio is instrumental in assessing the efficacy with which a company generates profits through the utilization of its assets. It represents a widely employed profitability metric in empirical research owing to its effectiveness in evaluating a firm's capacity to yield profit via asset utilization. Furthermore, the ROA ratio exhibits a positive correlation with the financial performance of banking institutions. Therefore, an uptick in the ROA ratio of a bank, indicating favorable conditions, correlates with the likelihood of enhanced financial performance. The ROA ratio, regarded as a measure of profitability, is paramount for bolstering user confidence; a favorable ROA ratio within a bank is likely to engender public interest and encourage individuals to engage with the banking institution [18].

2.3. PREVIOUS RESEARCH

Prior investigations pertaining to the performance of RDB have been executed by [20] and [12]. [20] conducted an empirical analysis on BPD Kaltim Kaltara during the period from 2017 to 2021, employing the ratios of CAR, BOPO, KAP, NPM, LDR, and ROA as the variables of interest. The findings of this inquiry suggest that the financial performance of PT BPD Kaltim Kaltara throughout the 2017-2021 duration is classified as healthy. In a separate study, [12] examined RDBs in Indonesia over the timeframe of 2015-2022, utilizing the CAR, BOPO, and ROA ratios as their analytical variables. The outcomes of this investigation reveal that the mean CAR ratio for RDB Banks in Indonesia is 22.46%, signifying a remarkably healthy status. Furthermore, the mean BOPO ratio for RDB in Indonesia is recorded at 80.29203%. Additionally, the mean ROA ratio for RDB in Indonesia is quantified at 2.473594. The results of this inquiry also indicate that the CAR ratio exerts a statistically significant positive influence on profitability (ROA), whereas the BOPO ratio demonstrates a statistically significant negative impact on profitability (ROA).

Previous investigations pertaining to the comparative analysis of RDB performance within the Indonesian context were conducted by [13], [21], and [22]. The study by [13] focused on an evaluative comparison of the financial performance exhibited by BPD Sulselbar and BPD Kaltimtara spanning the period from 2015 to 2020, employing financial ratios such as NPL, BOPO, GCG, CAR, LDR, and ROA as the principal research variables. The findings of this investigation reveal that significant disparities exist, particularly in relation to the NPL, LDR, ROA, and BOPO ratios concerning the financial performance of BPD Sulselbar and BPD Kaltimtara during the aforementioned period. Conversely, it is noteworthy that no significant differences were identified based on the CAR and GCG ratios in evaluating the financial performance of BPD Sulselbar and BPD Kaltimtara for the period 2015-2020.

[21] undertook an empirical investigation analyzing the comparative performance metrics of BPD DIY and Bank BJB during the period spanning 2017 to 2022, employing the CAR, LDR, and ROA ratios as the primary research variables. The findings indicated the presence of statistically significant disparities in financial performance between BPD DIY and Bank BJB as measured by the CAR, LDR, and ROA ratios for the specified timeframe of 2017 to 2022. [22] engaged in a similar comparative analysis of the financial performance of BPD DIY and Bank Jateng during the period from 2019 to 2022, utilizing the NIM, BOPO, CAR, NPL, and ROA ratios as the analytical variables. The outcomes of this study revealed significant differences in financial performance between BPD DIY and Bank Jateng based on the CAR ratio for the period of 2019 to 2022, while also noting that no significant differences were observed in relation to the NIM, BOPO, NPL, and ROA ratios concerning the financial performance of BPD DIY and Bank Jateng for the same period.

3. RESEARCH METHOD

Research methodologies elucidate the classifications and origins of data, the population and samples, definitions of concepts, operational definitions, and analytical techniques pertinent to the evaluation of quantitative data. Qualitative research elucidates the mechanisms by which research data are procured. The population focus of this investigation encompasses all banking institutions in Indonesia since the year 2019. The sample selected for this inquiry comprises Regional Development Banks (RDBs) situated on the islands of Java and Borneo. A methodological approach termed purposive sampling was employed to derive the sample for this research, resulting in a cohort of six RDBs located on Java Island and four RDBs located on Borneo Island. The data utilized in this research are annual financial reports spanning the years 2019 to 2023, obtained from the respective official websites of the banks.

This investigation employs a comparative research design. The comparative research conducted in this study aims to analyze and contrast the financial performance of RDBs situated on the island of Java with those located on the island of Borneo, Indonesia. The independent variables examined in this research include the Capital Adequacy Ratio (CAR), Net Interest Margin (NIM), Non-Performing Loans (NPL), and Return on Assets (ROA) ratios. The dependent variables in this research consist of RDBs operating in Java and RDBs operating in Borneo. The methodological approach employed in this investigation encompasses the normality test, homogeneity test, and t-test contingent upon the data exhibiting a normal distribution. The hypotheses articulated in this research are delineated as follows:

H1: There is a significant difference based on the CAR ratio of RDBs in Java and Borneo.
H2: There is a significant difference based on the NIM ratio of RDBs in Java and in Borneo.
H3: There is a significant difference based on the NPL ratio of RDBs in Java and in Borneo.
H4: There is a significant difference based on the ROA ratio of RDBs in Java and in Borneo.

4. RESULT OF DISCUSSION

4.1 Homogeneity Test

Table 1. The Result of Homogeneity Test

Test of Homogeneity of Variances

		Levene Statistic	df1	df2	Sig.
CAR	Based on Mean	2.738	1	46	.105
	Based on Median	3.074	1	46	.086
	Based on Median and with adjusted df	3.074	1	44.263	.086
	Based on trimmed mean	2.966	1	46	.092
NIM	Based on Mean	.250	1	46	.619
	Based on Median	.007	1	46	.935
	Based on Median and with adjusted df	.007	1	34.362	.936
	Based on trimmed mean	.083	1	46	.774
NPL	Based on Mean	.043	1	46	.836
	Based on Median	.004	1	46	.950
	Based on Median and with adjusted df	.004	1	41.603	.950
	Based on trimmed mean	.002	1	46	.961
ROA	Based on Mean	2.724	1	46	.106
	Based on Median	.743	1	46	.393
	Based on Median and with adjusted df	.743	1	32.210	.395
	Based on trimmed mean	1.459	1	46	.233

Source: Processed data, 2024

Table 1 illustrates that the significance value associated with the CAR ratio is 0.105, the significance value linked to the NIM ratio is 0.619, the significance value pertaining to the NPL ratio is 0.836, and the significance value related to the ROA ratio is 0.106. In light of these findings, it can be inferred that all variables examined in this research, specifically the CAR, NIM, NPL, and ROA ratios, exhibit significance values exceeding 0.05; thus, it can be concluded that the variances of the CAR, NIM, NPL, and ROA ratios within RDBs located in Java and Borneo are equivalent, or can be characterized as exhibiting homogeneous variance.

4.2 Normality Test

Table 2 illustrates that the variables examined in this research exhibit a significance value of 0.051. In light of the findings pertaining to the significance value, it can be ascertained that all variables in this research are normally distributed. Consequently, it can be inferred that all variables, specifically CAR, NIM, NPL, and ROA ratios concerning RDB in Java and Borneo, adhere to a normal distribution.

Table 2. The Result of Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		48
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.34146479
Most Extreme Differences	Absolute	.127
	Positive	.127
	Negative	-.081
Test Statistic		.127
Asymp. Sig. (2-tailed)		.051[c]

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

Source: Processed data, 2024

4.3 Hypothesis Test

The Comparative Analysis Of The Financial Performance Of RDB In Java And Borneo Based On The Capital Adequacy Ratio Ratio.

Table 3. The Result of CAR ratio

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
CAR	Equal variances assumed	2.738	.105	-.515	46	.609	-1.08933	2.11646	-5.34955	3.17088
	Equal variances not assumed			-.575	45.834	.568	-1.08933	1.89552	-4.90519	2.72652

Source: Processed data, 2024

The Capital Adequacy Ratio (CAR) serves as a quantitative measure that reflects the proportion of all bank assets that are associated with risk exposure. The CAR ratio is employed to evaluate the sufficiency of capital possessed by the banking institution to underwrite assets that inherently involve or produce risk [17]. Furthermore, the CAR ratio constitutes a critical element in the strategic planning of business expansion and is instrumental in mitigating potential financial losses. The CAR ratio exemplifies the proficiency of bank management in the processes of identifying, assessing, monitoring, and reviewing various risks that influence the capital levels pertinent to capital adequacy [18].

Table 3 illustrates that the F-count value pertaining to the measurement of the CAR ratio exhibits an Equal variances assumed value of 2.738 alongside a probability value of 0.105. Given that the probability value referenced above exceeds the threshold of 0.05, one may infer that there is no discernible difference in variance when comparing the performance of RDBs in Java and Borneo regarding the CAR ratio. In light of the equality of both variances, it is appropriate to employ the assumption of equal variance as the basis for conducting a t-test to compare the two populations. Table 3 indicates that the t-value for the ROA ratio, assuming equal variance, is -0.505, accompanied by a significance value of 0.609. Since this significance value of 0.609 surpasses the 0.05 threshold, one can conclude that H1 is rejected. Consequently, it can be asserted that there is no significant difference observed in the CAR ratio of RDBs located in Java and Borneo. This finding suggests that RDBs in both Java and Borneo exhibit analogous capabilities in capital provision and possess sufficient capacity to furnish funds that mitigate potential losses arising from risky assets. The CAR exerts substantial influence over the financial operations of the bank, as a diminished CAR within the capital cycle of a bank leads to the conclusion that the institution is unable to adequately absorb its own losses [18].

The Comparative Analysis Of The Financial Performance Of RDB In Java And Borneo Based On The Net Interest Margin Ratio

Table 4. The Result of NIM ratio

Group Statistics

	RDB	N	Mean	Std. Deviation	Std. Error Mean
NIM	RDB In Java	30	5.0577	1.62103	.29596
	RDB In Borneo	18	6.6811	1.14608	.27013

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
NIM	Equal variances assumed	.250	.619	-3.720	46	.001	-1.62344	.43635	-2.50178	-.74511
	Equal variances not assumed			-4.051	44.619	.000	-1.62344	.40070	-2.43069	-.81620

Source: Processed data, 2024

The Net Interest Margin (NIM) ratio serves as a ratio for assessing managerial efficacy in the allocation of assets to generate net interest income. The NIM ratio elucidates the inherent risks present in the financial market due to various market variables. The significance of the NIM ratio lies in its utility for assessing a banking institution's performance in relation to interest rate management and risk mitigation [18]. The NIM ratio encapsulates the capacity of a financial institution to derive net interest income from its productive asset base in contrast to the interest obligations incurred on its financial liabilities; thus, the banking sector is markedly reliant on interest differentials to enhance profitability and revenue generation [17].

Table 4 illustrates that the F-count statistic pertaining to the NIM ratio assessment reflects an Equal variances assumed value of 0.250 alongside a probability value of 0.619. Given that the aforementioned probability value exceeds the threshold of 0.05, it can be inferred that there exists no significant disparity in variance when appraising the performance of RDB in Java compared to Borneo with respect to the NIM ratio. In light of the equality of variances, the comparison of the two populations via a t-test should be predicated on the assumption of equal variances. Table 4 reveals that the t-value corresponding to the NIM ratio, under the assumption of equal variance, is -3.720, accompanied by a significance value of 0.001. Since the significance value is 0.001, which is less than 0.05, it can be concluded that the H2 is accepted. Consequently, it may be articulated that a statistically significant difference exists in the NIM ratio of RDB between Java and Borneo. This finding suggests that RDBs situated in Java and Borneo exhibit disparate capabilities in generating net interest income from earning assets in relation to the interest expenses incurred on financial liabilities.

The empirical findings derived from the examination of the average NIM ratio presented in Table 4 reveal that the average NIM ratio for RDBs in Borneo is 6.6811, which exceeds the average NIM ratio of RDBs in Java, recorded at 5.0577. This observation suggests that, during the time frame spanning 2019 to 2023, RDBs in Borneo demonstrated superior efficiency in generating net interest income from earning assets relative to the interest expenses incurred on financial liabilities, in comparison to RDBs in Java. A heightened NIM ratio is indicative of an increase in interest income derived from productive assets, thereby serving to mitigate the potential risks associated with banking operations. An augmentation in interest income has the potential to enhance overall banking profitability [23].

The Comparative Analysis Of The Financial Performance Of RDB In Java And Borneo Based On The Non Performing Loan Ratio.

Table 5. The Result of NPL ratio

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
NPL	Equal variances assumed	.043	.836	.070	46	.945	.02211	.31649	-.61494	.65917
	Equal variances not assumed			.075	43.534	.941	.02211	.29472	-.57204	.61626

Source: Processed data, 2024

NPL ratio represents the proportion of non-performing loans in relation to total loans, and understanding this ratio is essential for evaluating a bank's financial health. NPL ratio serve as a vital indicator that reveals the quality of a bank's assets, highlighting the extent of overdue or problematic credits. An exemplary NPL is one that remains below the 5% threshold, showcasing a bank's superior performance. The lower the NPL, the lesser the credit risk that the bank faces, ensuring a more stable financial future [17].

Table 5 illustrates that the F-count value for the NPL ratio measurement stands at an Equal variances assumed value of 0.043 and a probability value of 0.836. Given that this probability value surpasses the critical threshold of 0.05, we can confidently conclude that there is no discernible difference in variance when comparing RDB performance in Java and Borneo regarding the NPL ratio. With both variances being equal, it is imperative to employ the t-test based on the assumption of equal variance for a valid comparison of these two populations. Table 5 powerfully reveals that the t-value for the NPL ratio, under Equal variance assumed, is 0.070, accompanied by a significance value of 0.945. As this significance value of 0.945 exceeds 0.05, we must conclude that H3 is rejected. To put it another way, we can assert that there is no significant difference in the NPL ratio of RDBs operating in Java compared to those in Borneo. This strongly suggests that RDBs in both Java and Borneo share a comparable capacity to effectively manage credit risk and sustain financial health. As the NPL ratio elevates, the credit quality inevitably deteriorates, leading to an upsurge in non-performing loans, which can place the bank in a precarious situation [23].

The Comparative Analysis Of The Financial Performance Of RDB In Java And Borneo Based On The Return On Assets Ratio.

Table 6. The Result of ROA ratio

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
ROA	Equal variances assumed	2.724	.106	-1.909	46	.062	-.86189	.45140	-1.77051	.04673
	Equal variances not assumed			-2.299	41.598	.027	-.86189	.37493	-1.61875	-.10503

Source: Processed data, 2024

ROA ratio is derived from the comparison of Profit Before Tax to Total Assets, serving as a critical tool for assessing management's success in profit generation [7]. ROA ratio stands as an essential profitability ratio that decisively reveals how adeptly a financial institution can convert its total assets into profits, as a higher ROA ratio unmistakably signifies superior profitability [24].

Table 6 reveals that the F-count value for the ROA ratio measurement stands at an Equal variances assumed value of 2.724, accompanied by a probability value of 0.106. Given that this probability value surpasses 0.05, we can decisively assert that there is no variance discrepancy in comparing RDB performance between Java and Borneo regarding the ROA ratio. With both variances being equal, it is vital to employ the equal variance assumption as the foundation for conducting the t-test between the two populations. Table 6 illustrates that the t-value for the ROA ratio, under the equal variance assumption, is -1.909, with a significance value of 0.062. Since this significance value of 0.062 exceeds 0.05, we must reject H4. In simpler terms, there is no significant disparity in the ROA ratio of RDBs between Java and Borneo. This finding indicates that RDBs in both regions possess equivalent capabilities in generating profits from their assets, reflecting their operational efficiency and overall financial performance. A lower value of this ratio signifies a troubling inability of bank management to effectively utilize assets for enhancing revenue and minimizing costs [7]. Conversely, an increased ROA ratio signifies a higher profit level achieved by the company, thereby enhancing the company's standing in terms of asset utilization [24].

5. CONCLUSION AND SUGGESTION

Based on the findings of this investigation, it can be inferred that: (1) There no statistically significant disparity in the CAR ratio of RDBs situated in Java and Borneo. (2) There is a statistically significant distinction in the NIM ratio of RDBs located in Java and Borneo. (3) There is no statistically significant difference in the NPL ratio of RDBs operating in Java and Borneo. (4) There is no statistically significant difference in the ROA ratio of RDBs across Java and Borneo.

For forthcoming investigations, it is advisable to undertake a more exhaustive examination of the financial performance of regional development banks, incorporating additional variables such as governance frameworks, risk management methodologies, and macroeconomic influences. This approach will facilitate a more profound comprehension of the determinants that affect their financial efficacy. Furthermore, it is anticipated that subsequent research endeavors will augment the sample size by employing a larger cohort and extending the research duration, thereby yielding more representative outcomes.

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