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THE EFFECT OF CAPITAL STRUCTURE, RISK OF CREDIT, AND OPERATIONAL EFFICIENCY ON PROFITABILITY BPR BAHTERAMAS IN SOUTHEAST SULAWESI

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ABSTRACT

This study aims to determine the effect of capital structure, credit risk, and operational efficiency on the profitability of BPR Bahteramas in Southeast Sulawesi. This research is exploratory quantitative research. The population of this study was all Bahteramas BPRs throughout Southeast Sulawesi, namely 12 Bahteramas BPRs. The type of data in this study is secondary data sourced from the Financial Services Authority (OJK) and BPR Bahteramas Reports during the 2017-2021 period. The data analysis method uses panel data regression analysis which is processed using Stata 17.

Based on the results of the study it was found that capital structure and credit risk had no significant effect on profitability at BPR Bahteramas in Southeast Sulawesi in terms of each ratio namely Return on Assets (ROA), Return on Equity (ROE) and Net Interest Margin (NIM). This can be interpreted that the increase in profitability is not affected by the increase in the capital structure and credit risk of BPR Bahteramas. As for operational efficiency, it was found to have a significant positive effect on the profitability of Bahteramas BPRs throughout Southeast Sulawesi, specifically the Return on Assets (ROA) ratio. As for the profitability in terms of Return on Equity (ROE) and Net Interest Margin (NIM), it was found that it was not affected by operational efficiency. This means that the increase that occurred in the aspect of operational expenditure was able to increase the profitability of Bahteramas BPRs throughout Southeast Sulawesi, especially in increasing BPR net profits.

Keywords: ***Operational Efficiency; Profitability; credit risk; Capital Structure***

INTRODUCTION

Banking in the country is under threat due to the co-19 pandemic, even the threat of a global economic crisis is almost in sight. This caused banking industry players to be faced with an unfavorable situation, due to increasingly high competition between banks and various products. This complicated problem has created new competition in the banking world. Cashmere (2008), the financial balance in the institution is a form of financial statement so that information can be seen by parties outside the bank, such as central banks, the public, and capital owners. The function of this financial report is to see the risks that will be accepted when investing in the company.

Alifah (2014) that developments in the banking world are very rapid and a high level of complexity can affect the performance of a bank. The high complexity of the banking business can increase the risks faced by every bank in Indonesia. These problems included the depreciation of the rupiah, and an increase in interest rates on Bank Indonesia Certificates (SBI), which led to an increase in non-performing loans. Weak bank internal conditions such as inadequate management, lending to groups or business groups themselves and capital that cannot cover the risks faced by these banks cause bank performance to decline.

Banks as institutions that have licenses to carry out many activities, have very broad opportunities to earn income (income/return). In carrying out activities, to obtain banking income is always faced with risks. Bank risk can be a systematic risk (systematic risk) meaning that it affects the macro-economy of a country and even several other countries, for example, government policies of one country affect the economy of other countries. Another risk is unsystematic risk, which is a risk that can be eliminated because it only occurs in one bank and does not spread to other banks (Pandia, 2012).

All bank activities, bank products, and services are related to money. The nature of money is anonymous, anyone can have it, anyone wants to have it and it changes hands very easily and even disappears. Therefore, all bank activities, from absorbing funds to channeling funds in the form of credit, are highly vulnerable to loss of money. The bigger is very susceptible to loss of money. The greater the expected profit from a business, the greater the risk it faces, and conversely the smaller the expected profit, the smaller the risk it faces (Pandia, 2012).

Based on the results of the Financial Services Authority's report (2022) regarding the financial performance reports of BPR Bahteramas in Southeast Sulawesi Province for the 2017-2021 period, it shows that the majority of bank profitability in terms of Return on Assets on average tends to decrease every year. The condition of the decline in the level of profitability reflected in the ROA of BPR Bahteramas is also in line with developments in operational efficiency and credit risk which tend to increase every year. More detail can be seen in the following table:

Table 1. Average Financial Performance of BPR Bahteramas, 2017-2021 Period

No	Financial performance	YEAR'S				
		2017	2018	2019	2020	2021
1	Return on Assets (ROA)	3.57	0.32	3.30	2.95	2.06
2	Return on Equity (ROE)	5.93	-1.23	3.74	9,17	7,8
3	Net Interest Margin (NIM)	13,24	12.63	13,21	14,18	18.44
4	Debt to Equity Ratio (DER)	99.76	173,44	124,43	118.96	180.79
5	Debt to Asset Ratio (DAR)	46,40	51,68	51,66	47,82	53.07
6	Non-Performing Loans (NPL)	14.49	17.35	24,48	17,19	18.07
7	Loan to Deposit Ratio (LDR)	79,44	85,84	71,43	80.93	75,11
8	Operating Expense Against Operating Income (BOPO)	85,84	99.36	97,49	86.06	91.30

Source: Bahteramas Southeast Sulawesi Report, 2022

In Table 1 it can be seen that there is a direct relationship between the increase in credit risk as reflected in the NPL ratio and operational efficiency as reflected in the BOPO ratio to the decline in BPR profitability as reflected in the Return on Assets (ROA) ratio. While it is different from the capital structure which in the report shows an increase, the level of profitability as reflected in ROA has decreased. This can be interpreted that the use of debt that is greater than own capital has an impact on decreasing the level of profitability of BPR Bahteramas.

In addition, Table 1 also shows that a significant decrease in profitability only occurs in the Return on Assets (ROA) ratio, while the case for profitability is different as reflected in the Return on Equity (ROE) and Net Interest Margin (NIM) ratios which indicate an increase every year.

Reviews of profitability have been reviewed by many researchers for decades. As well as Singh & Bagga (2019); Qayyum & Noreen(2019); Fauzan & Mukaram (2017) examines the effect of capital structure on bank profitability, in which the findings suggest that capital structure has a significant positive effect on increasing company profitability. Different findings are also described by Velnampy & Niresh (2012) that the capital structure has a significant negative effect on profitability. Meanwhile, the findings are different from Salawu (2009); Susiyanti & Effendi (2019); Fathoni & Syarifudin (2021) that capital structure has no significant effect on profitability.

In addition to the effect of capital structure, several researchers also examined the effect of credit risk on bank profitability. Like Affandi & Simarmata (2022); Serly et al (2022); Hartanto & Syarif (2022) found that credit risk as measured using the NPL ratio had a significant negative effect on bank profitability. Muplihah et al (2022); Rifansa & Pulungan (2022); Kepramareni et al (2022); Turidah et al (2022); Dewi & Purnami (2021) in different findings found that NPL which reflects credit risk has no significant effect on bank profitability.

Furthermore, Alaziz (2020); Muplihah et al (2022); Kepramareni et al (2022); Annisa et al (2022); Turidah et al (2022); examined profitability as influenced by operational efficiency, found that there was a significant negative effect between BOPO on profitability (ROA). It was also explained that BOPO had a significant positive effect on banking profitability (Affandi & Simarmata, 2022); (Sulisnawati et al, 2022); (Hartanto & Syarif, 2022); (Serly et al, 2022). In other findings it was stated that BOPO had no significant effect on banking profitability (Sari & Fitri, 2022); (Rifansa & Pulungan, 2022); (Dewi & Purnami, 2021).

Starting from the existence of research gaps related to the effect of capital structure, credit risk, and operational efficiency on profitability at BPR Bahteramas throughout Southeast Sulawesi, the purpose of this study was to determine the effect of capital structure, credit risk and operational efficiency on the profitability of BPR Bahteramas throughout Southeast Sulawesi.

LITERATURE REVIEW

Capital Structure

Fathoni & Syarifudin (2021) stated that the capital structure is the amount of debt compared to its capital. It was further explained that the decision in dividing the percentage of debt and equity in the capital structure is important for all companies because it directly affects organizational performance. If debt and equity are kept in a rational balance, it will improve organizational performance and if not, it will lead the company to bankruptcy.

The capital structure in a company is important because it relates to the company's ability to meet the needs of the company's stakeholders. A company director or financial manager must always strive to develop a capital structure that has benefits for shareholders, as well as other stakeholders, such as employees, customers, creditors, and society. Therefore, company management must take advantage of the capital structure to reduce financial risk and increase profitability (Fathoni & Syarifudin, 2021); (Chang et al., 2019).

A review of the effect of capital structure on profitability has been extensively reviewed by several researchers, Singh & Bagga (2019); Qayyum & Noreen (2019); Fauzan & Mukaram (2017) in his research found that capital structure has a significant positive effect on increasing company profitability. Where the greater the capital structure of a company, the greater its profitability.

Different findings are also described by Velnampy & Niresh (2012) that the capital structure has a significant negative effect on profitability. This can be interpreted that the increase in capital structure has an impact on decreasing profitability. Meanwhile, the findings are different from Salawu (2009); Susiyanti & Effendi (2019); Fathoni & Syarifudin (2021) that capital structure has no significant effect on profitability.

Credit Risk

According to Rivai & Arviyan (2010)whereas credit risk results in loss of opportunity to earn income from credit/financing provided, thus reducing profits and adversely affecting bank profitability, the greater the credit risk that is owned by a banking company, the smaller the profitability that will be obtained by a banking company, so that this will be detrimental to the company.

Research conducted by Affandi & Simarmata (2022); Serly et al (2022); Hartanto & Syarif (2022) found that credit risk as measured using the NPL ratio had a significant negative effect on bank profitability. The higher the NPL ratio owned by a bank, indicates the higher credit risk which in turn has an impact on decreasing bank profitability. Muplihah et al (2022); Rifansa & Pulungan (2022); Kepramareni et al (2022); Turidah et al (2022); Dewi & Purnami (2021) in different findings found that NPL which reflects credit risk has no significant effect on bank profitability.

As for credit risk, it is different, which is reflected in the LDR ratio, where in several studies it was found that LDR had a significant positive effect on bank profitability. (Sari & Fitri, 2022); (Annisa et al., 2022); (Serly et al., 2022); (Rifansa & Pulungan, 2022). Meanwhile, in a different study it was found that LDR had a significant negative effect on bank profitability (Affandi & Simarmata, 2022); (Alaziz, 2020). As for the other case in the findings Kusno et al (2022); Hartanto & Syarif (2022); Sulisnawati et al (2022); (Permata Rahmi et al., 2022); Kepramareni et al (2022); Romi (2022); Dewi & Purnami (2021); Turidah et al (2022) that LDR has no significant effect on bank profitability.

Operational Efficiency

Serly et al (2022) argued that BOPO is a ratio to measure the effectiveness and efficiency of banking operations through a comparison between operational costs and operating income. This assessment of operational efficiency is considered important for banks as a reflection of banking operational activities that are carried out correctly or under stakeholder expectations and is intended to determine the use of production factors that are appropriate and effective. (Sulisnawati et al., 2022). Dewi & Purnami (2021), a high BOPO level indicates that the bank is not carrying out its operational activities efficiently.

According to Bank Indonesia's internal circular letter (2004) that the increasing ratio is a reflection of the bank's lack of ability to emphasize operational costs and increase its operating income which can have an impact on incurring losses due to a lack of efficiency in managing its business. This description is in line with the findings of Trisnaningsih & Umar (2018) that the company's profit increase can increase if there is an emphasis from the company's management on the use of operational costs.

This finding is in line with the findings of previous researchers, namely that there is a significant negative effect between BOPO and profitability (ROA) in banking (Alaziz, 2020); (Muplihah et al., 2022); (Kepramareni et al., 2022); (Annisa et al., 2022); (Turidah et al., 2022); (Turidah et al., 2022). Where the resulting high ratio of BOPO will affect the decline in the level of bank profitability in terms of Return on Assets (ROA).

Different findings are also described by Affandi & Simarmata (2022); Sulisnawati et al (2022); Hartanto & Syarif (2022); Serly et al (2022) that Operational Costs Against Operating Income (BOPO) has a significant positive effect on bank profitability. Where the higher ratio of operating expenses will have an impact on increasing bank profitability. In other findings it was stated that BOPO had no significant effect on banking profitability (Sari & Fitri, 2022); (Rifansa & Pulungan, 2022); (Dewi & Purnami, 2021).

Conceptual Framework

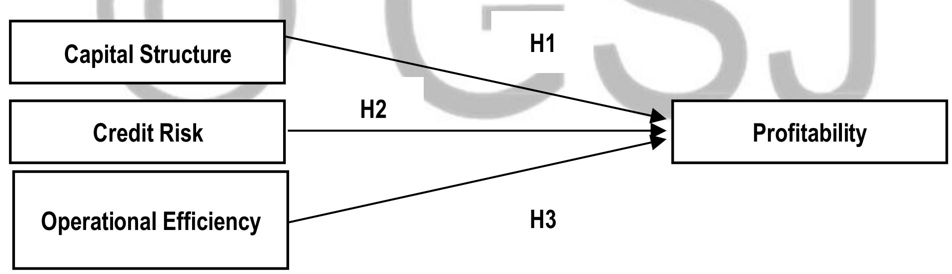
Developments in the financial sector, especially changes in the composition or structure of the banking sector in Indonesia, are expected to bring positive changes to the national economy (Permata Rahmi et al., 2022). In particular, banking has a very important role in the movement of the Indonesian economy. According to Fahmi et al (2020), bank is a financial intermediary institution that functions as an intermediary, namely the party that connects those who have a financial surplus (surplus) and those who lack finances. This intermediation function is also part of the embodiment of the banking function as an agent of development.

Assessment is needed to assess the performance of management at a bank whether the bank is in good condition or not, especially in activities related to the economy of a country. One indicator to see the financial performance of a bank is to look at the level of profitability generated by the bank. According to Cashmere (2008), profitability is the company's ability to make a profit. Measurement of profitability can be measured using the ratio of Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM).

Reviews of profitability have been widely discussed by several previous researchers, such as research conducted by Singh & Bagga (2019); Qayyum & Noreen (2019); Fauzan & Mukaram (2017) who found that capital structure has a significant positive effect on increasing company profitability. Meanwhile, it's another case by Affandi & Simarmata (2022); Serly et al (2022); Hartanto & Syarif (2022) found that credit risk as measured using the NPL ratio had a significant negative effect on bank profitability. As for others in the findings Alaziz (2020); Muplihah et al (2022); (Kepramareni et al., 2022); Annisa et al (2022); Turidah et al (2022) who found that there was a significant negative effect between BOPO on profitability (ROA).

In brief, the relationship between the variables of capital structure, credit risk, and operational efficiency on profitability can be summarized in a conceptual framework model as follows:

Figure 1. Research Conceptual Framework



Hypothesis

Based on this description, it can be put forward several hypotheses to be tested in this study, namely:

1. **H1**: Capital structure with the indicators Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER) has a positive and significant effect on profitability with the indicators Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM) at BPR Bahteramas in Southeast Sulawesi.
2. **H2**: Credit risk with Net Performing Loan (NPL) and Loan Deposit Ratio (LDR) indicators has a negative and significant effect on the profitability of the Return on Asset (ROA), Return on Equity (ROE), and Net Interest Margin (NIM) indicators at BPR Bahteramas throughout Southeast Sulawesi.
3. **H3**: Operational efficiency with the indicator Operating Expenses on Operating Income (BOPO) has a negative and significant effect on the profitability of the indicators Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM) at BPR Bahteramas in Southeast Sulawesi.

RESEARCH METHODS

This research is exploratory quantitative research with a quantitative analytical tool approach, namely an econometric model that focuses on hypothesis testing. This research was conducted at the Bahteramas People's Credit Bank in Southeast Sulawesi. The population in this study is the Bahteramas People's Credit Bank in Southeast Sulawesi, namely 12 banks. In this study, the entire population was used as the research sample.

The data used in this study is secondary data sourced from reports from the Financial Services Authority (OJK). As for the time of collection, the type of data used is panel data which is a combination of cross-sectional data and time series data. Panel data is used to determine the effect of capital structure, credit risk, and operational efficiency on profitability at 12 BPRs in Southeast Sulawesi, during the 2017-2021 period. For the type of data based on the scale of measurement, this study uses ratio data.

In this study, data collection was carried out using documentation, namely data collection by collecting and analyzing printed and electronic documents. In this study, data collection through documentation was carried out on reports issued by BPRs and the Financial Services Authority which were accessed online.

To answer the questions in this study, the researchers used statistical methods. The statistical analysis tool used in this study was panel data regression analysis which was processed using Stata software version 17.0. Panel data regression provides an alternative model. There are three estimation approaches in panel data namely common effect, fixed effect, and random effect. Common effect and fixed effect models use the Ordinary Least Squares (OLS) approach in their estimation technique, while Random Effect uses Generalized Least Squares (GLS) as their estimation technique.

RESEARCH RESULT AND DISCUSSION

Research Result

Effect of Capital Structure, Credit Risk, and Operational Efficiency on Profitability (Return on Assets)

Based on the results of the Chow test, Hausman test, and Lagrange Multiplier (LM-test), it can be concluded that the model Common Effects Model (CEM)is the best model for predicting profitability, namely Return on Assets at BPR Bahteramas in Southeast Sulawesi. In more detail, namely as follows:

Figure 2. Common Effect Model Estimation

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. regress roa der dar npl ldr bopo

      Source |       SS           df       MS      Number of obs   =        60
-------------+----------------------------------   F(5, 54)        =      9.34
       Model |  1470.70974         5  294.141949   Prob > F        =    0.0000
    Residual |  1700.49065        54  31.4905675   R-squared       =    0.4638
-------------+----------------------------------   Adj R-squared   =    0.4141
       Total |  3171.20039        59  53.7491592   Root MSE        =    5.6116

------------------------------------------------------------------------------
         roa | Coefficient  Std. err.      t    P>|t|     [95% conf. interval]
-------------+----------------------------------------------------------------
         der |   .0002367   .0078547     0.03   0.976    -.0155109    .0159843
         dar |    .011716    .058303     0.20   0.841    -.1051744    .1286064
         npl |  -.0433519   .0563438    -0.77   0.445    -.1563144    .0696106
         ldr |  -.0046873   .0376893    -0.12   0.901    -.0802499    .0708753
        bopo |   .1204549   .0196123     6.14   0.000     .0811345    .1597752
       _cons |  -3.292084   3.816532    -0.86   0.392    -10.94377    4.359601
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Based on the estimation results of the influence of capital structure, credit risk, and efficiency operation to profitability (ROA), it can be described that:

1. Capital structure as measured by DER has a positive and insignificant effect on profitability in terms of ROA at BPR Bahteramas throughout Southeast Sulawesi.

2. Capital structure as measured by DAR has no significant positive effect on profitability in terms of ROA at BPR Bahteramas throughout Southeast Sulawesi.
3. Credit risk measured on NPL has no significant negative effect on profitability in terms of ROA at BPR Bahteramas throughout Southeast Sulawesi.
4. Credit risk measured on LDR has no significant negative effect on profitability in terms of ROA at BPR Bahteramas throughout Southeast Sulawesi.
5. Operational efficiency measured on BOPO has a significant positive effect on profitability in terms of ROA at BPR Bahteramas in Southeast Sulawesi.

Effect of Capital Structure, Credit Risk, and Operational Efficiency on Profitability (Return on Equity)

Based on the results of the Chow test, Hausman test, and Lagrange Multiplier (LM-test), it can be concluded that the Random Effect Model (REM) model is the best model for predicting profitability as measured using the Return on Equity (ROE) ratio at BPR Bahteramas in Southeast Sulawesi. In more detail, namely as follows:

Figure 3. Estimation of Random Effect Models

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. xtreg roe der dar npl ldr bopo, re

Random-effects GLS regression                   Number of obs     =         60
Group variable: kode                            Number of groups  =         12

R-squared:                                      Obs per group:
     Within  = 0.3175                                         min =          5
     Between = 0.4108                                         avg =        5.0
     Overall = 0.3341                                         max =          5

                                                Wald chi2(5)      =      25.21
corr(u_i, X) = 0 (assumed)                      Prob > chi2       =     0.0001

------------------------------------------------------------------------------
         roe | Coefficient  Std. err.      z    P>|z|     [95% conf. interval]
-------------+----------------------------------------------------------------
         der |    .009047   .0134553     0.67   0.501    -.0173248    .0354189
         dar |   .2535881   .1208541     2.10   0.036     .0167184    .4904577
         npl |   .0286534   .1024303     0.28   0.780    -.1721062    .2294131
         ldr |  -.0009673   .0698097    -0.01   0.989    -.1377919    .1358572
        bopo |   .0647606   .0346694     1.87   0.062    -.0031902    .1327114
       _cons |  -5.869684   7.417426    -0.79   0.429    -20.40757    8.668204
-------------+----------------------------------------------------------------
     sigma_u |  5.2293757
     sigma_e |  9.0214847
         rho |   .2514989   (fraction of variance due to u_i)
------------------------------------------------------------------------------
```

Based on the estimation results of the influence of capital structure, credit risk, and efficiency operation to profitability (ROE), it can be described that:

1. Capital structure as measured by DER has a positive and insignificant effect on profitability in terms of ROE at BPR Bahteramas throughout Southeast Sulawesi.
2. Capital structure as measured by DAR has a significant positive effect on profitability in terms of ROE at BPR Bahteramas throughout Southeast Sulawesi.
3. Credit risk measured on NPL has no significant positive effect on profitability in terms of ROE at BPR Bahteramas throughout Southeast Sulawesi.
4. Credit risk measured on LDR has no significant negative effect on profitability in terms of ROE at BPR Bahteramas throughout Southeast Sulawesi.

5. Operational efficiency measured on BOPO has no significant positive effect on profitability in terms of ROE at BPR Bahteramas throughout Southeast Sulawesi.

Effect of Capital Structure, Credit Risk, and Operational Efficiency on Profitability (Net Interest Margin)

Based on the results of the Chow test, Hausman test, and Lagrange Multiplier (LM-test), it can be concluded that the Common Effect Model (CEM) model is the best model for predicting profitability as measured using the Net Interest Margin (NIM) ratio at BPR Bahteramas in Southeast Sulawesi. In more detail, namely as follows:

Figure 4. Common Effect Model Estimation

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. regress nim der dar npl ldr bopo
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Source	SS	df	MS			
				Number of obs	=	60
				F(5, 54)	=	2.81
Model	824.822219	5	164.964444	Prob > F	=	0.0250
Residual	3166.60025	54	58.6407453	R-squared	=	0.2066
				Adj R-squared	=	0.1332
Total	3991.42247	59	67.6512283	Root MSE	=	7.6577

nim	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
der	.00272	.0107186	0.25	0.801	-.0187694	.0242095
dar	-.0989742	.079561	-1.24	0.219	-.2584844	.060536
npl	-.1383742	.0768875	-1.80	0.077	-.2925243	.0157759
ldr	.0179845	.0514314	0.35	0.728	-.0851292	.1210982
bopo	-.034214	.0267632	-1.28	0.207	-.087871	.019443
_cons	23.19282	5.208089	4.45	0.000	12.75123	33.6344

Based on the estimation results of the influence of capital structure, credit risk, and efficiency operation to profitability (NIM), it can be described that:

1. Capital structure as measured by DER has a positive and insignificant effect on profitability in terms of NIM at BPR Bahteramas in Southeast Sulawesi.
2. Capital structure as measured by DAR has no significant negative effect on profitability in terms of NIM at BPR Bahteramas throughout Southeast Sulawesi.
3. Credit risk measured on NPL has no significant negative effect on profitability in terms of NIM at BPR Bahteramas throughout Southeast Sulawesi.
4. Credit risk measured on LDR has no significant positive effect on profitability in terms of NIM at BPR Bahteramas throughout Southeast Sulawesi.
5. Operational efficiency measured on BOPO has no significant negative effect on profitability in terms of NIM at BPR Bahteramas throughout Southeast Sulawesi.

DISCUSSION

Effect of Capital Structure on Profitability

Based on the results of research related to the effect of capital structure on profitabilityRBBahteramas throughout Southeast Sulawesi for the 2017-2021 period it was found that there were differences in the results between the capital structure ratios, namely the Debt to Equity Ratio (DER) and the Debt to Asset Ratio (DAR) to profitability as measured by Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM). The difference in the estimation results between the ratios of capital structure to the 3 profitability ratios indicates that the capital structure viewed from the aspect of equity and assets has a different impact on each profitability ratio of BPR Bahteramas in Southeast Sulawesi.

Where the capital structure reviewed on the Debt to Equity Ratio (DER) and Debt to Asset Ratio (DAR) was found to have a non-significant positive effect on profitability in the aspect of the ability of BPR Bahteramas assets to generate a net profit. This matter indicates that the capital structure which refers to debt capital does not affect increasing the ability of banks to generate net profit from the use and utilization of all assets owned by BPR Bahteramas in Southeast Sulawesi.

While the findings are different for the influence of capital structure reviewed on the Debt to Equity Ratio (DER) and Debt to Asset Ratio (DAR) on the profitability of BPRs reviewed on the aspect of the bank's ability to generate a net profit using the bank's equity capital. Where is the Debt to Equity Ratio (DER) has no positive effect significant on bank profitability as measured by ROE, while it is different for the effect of capital structure as measured by Debt to Asset Ratio (DAR) which in the results found a significant positive effect on profitability as measured by Return on Equity (ROE).

As for the other case, the influence of the capital structure reviewed on the Debt to Equity Ratio (DER) and Debt to Asset Ratio (DAR) on profitability as measured by the Net Interest Margin (NIM), where the results found that the Debt to Equity Ratio (DER) has a positive effect not significant to profitability in terms of Net Interest Margin (NIM), while it is another case for the Debt to Asset Ratio which in the results found an insignificant negative effect on profitability as measured by Net Interest Margin (NIM) at BPR Bahteramas in Southeast Sulawesi. Influence is not significant between the capital structure on profitability as measured by the NIM,

The capital structure refers to the proportion between debt and equity used by the company to finance bank operations and investments. The right capital structure can help companies minimize capital costs, increase company value and achieve long-term financial goals. However, several studies show that an increase in capital structure does not always affect a company's profitability, even if the company uses a higher level of debt.

This is in line with the findings of Salawu (2009); Susiyanti & Effendi (2019); Fathoni & Syarifudin (2021) that capital structure has no significant effect on profitability. There is no influence between capital structure and profitability, it is possible that the company can manage the risks associated with using debt and maintain healthy cash flow to pay interest and debt. Swastika et al (2017) suggest that capital structure has no significant effect on profitability. This indicates that information on changes in capital structure that can be obtained from financial reports does not affect the return on equity owned by banks.

There is no significant effect between capital structure on profitability, indicating that the amount of capital structure reflected in the DAR and DER ratios of BPR Bahteramas in Southeast Sulawesi does not reflect optimal conditions. Where the optimal capital structure can be interpreted as a capital structure that can minimize the cost of using the overall capital or the average cost of capital so that it will maximize the value of the company.

This condition is in line with BPR Bahteramas, where the increase and the percentage value of the Debt to Equity Ratio (DER) and Debt to Asset Ratio (DAR) have no implications for increasing the profitability of BPR Bahteramas during the 2017-2021 period. In fact, in some cases, it shows that the amount of debt used is greater than own capital at BPR Bahteramas, which has an impact on negative profitability achievements.

These findings indirectly weaken the opinion of experts that the bank's capital structure refers to the combination of own capital and debt used can affect bank profitability, because the use of debt can increase bank financial risk but can also increase profit potential. The condition of the capital structure which does not affect profitability indicates that bank profitability at BPR Bahteramas in Southeast Sulawesi is not influenced by capital structure but is influenced by several other factors, such as bank liquidity capabilities, or bank operational efficiency.

Effect of Credit Risk on Profitability

Based on the results of research related to the effect of credit risk as measured on the ratio of Non-Performing Loans (NPL) and Loan to Deposit Ratio (LDR) on the profitability of BPR Bahteramas in Southeast

Sulawesi which is measured based on Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM) found that there are differences in the relationship between each credit risk ratio to the three profitability ratios of BPR Bahteramas in Southeast Sulawesi. However, it is generally found that credit risk as measured by the ratio of Non-Performing Loans (NPL) and Loan to Deposit Ratio (LDR) has no significant effect on profitability in terms of Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM).

The findings on the credit risk relationship reviewed are based on Non-Performing Loans (NPL) and Loan to Deposit Ratio (LDR) for each ratio measuring profitability, namely: (1) Non-Performing Loans (NPL) and Loan to Deposit Ratio (LDR)) no significant negative effect on profitability in terms of Return on Assets (ROA); (2) Non-Performing Loans (NPL) have no significant positive effect on profitability in terms of Return on Equity (ROE), while it is different for the Loan to Deposit Ratio (LDR) which is found to have an insignificant negative effect on profitability in terms of Return on Equity (ROE); (3) Non-Performing Loans (NPL) have a non-significant negative effect on profitability in terms of Net Interest Margin (NIM).

Credit risk, which is a reflection of a large number of non-performing loans, does not affect the decline in the profitability of BPR Bahteramas, because the bank has implemented an effective strategy for managing credit risk and avoiding significant potential losses. This is in line with the development of the NPL ratio at BPR Bahteramas throughout Southeast Sulawesi, although it is in the fairly high category, this is still relatively safe because it is supported by BPR liquidity as reflected in a good LDR ratio.

Liquidity is the bank's ability to meet short-term obligations. A bank is considered liquid if the bank can pay for demand deposits, savings, time deposits, and bank loans that are due immediately to fulfill credit requests without any delay (realized credit). Soesetio et al (2022), liquidity is important for a bank, because it relates to the fulfillment of bank obligations, including customer withdrawals that are made at any time and a portfolio of bank funding sources that are channeled in the form of credit.

The research findings regarding the insignificant effect of credit risk measured on NPL and LDR on profitability, are in line with previous reviews from Supriyono & Herdhayinta (2019) which suggest that NPL has no significant positive effect on bank profitability. A different study also stated by Rohman et al (2022) that LDR has no significant positive effect on ROA and NPL has no significant effect on NIM. Putranto (2019) in a similar finding suggests that NPL has a non-significant negative effect on profitability.

Also described by Muplihah et al (2022); Rifansa & Pulungan (2022); Kepramareni et al (2022); Turidah et al (2022); Dewi & Purnami (2021) in their findings that NPL which reflects credit risk has no significant effect on bank profitability. The existence of this insignificant effect indicates that bank profitability is not affected by credit risk, but is more vulnerable to several other risk aspects such as market risk, liquidity risk, and operational risk.

Although the results of this study are not in line with the opinions of experts who state that there is a significant negative effect between credit risk and profitability. However, in some cases, the level of credit risk, which reflects non-performing loans, may not have a significant effect on profitability due to:

1. If the number of non-performing loans is relatively small compared to the bank's total loan portfolio. In such a case, the impact of non-performing loans on the bank's profit may not be that great. This is because the bank's profit is generated from the difference between interest income and operational costs. If only a small portion of the total loan portfolio is in trouble, then the impact on interest income may not be significant and the bank's profits can still be maintained.
2. If the bank has anticipated the potential for problem loans and has allocated sufficient reserves to deal with these risks. In this case, banks can avoid a significant impact on their profits because they have prepared sufficient reserves to cover potential losses. In general, banks will allocate reserve funds to deal with the risk of non-performing loans in their portfolios. This reserve fund is usually calculated based on factors such as the credit risk of each creditor, the type of credit extended, and economic and market conditions. If banks have done good calculations and allocated sufficient reserve funds to deal with the risk of problem loans, then they can reduce the impact of problem loans on their profits. In cases where banks suffer losses due to non-performing loans, banks can use the

reserve funds they have prepared to cover these losses. These reserve funds are usually obtained from previous bank profits and are allocated to handle the risk of problem loans that may occur in the future. By using these reserves, banks can improve their financial position and avoid a significant impact on their profits.

3. If the bank has diversified its credit portfolio properly, has a balanced credit exposure, and is not concentrating on a particular sector or customer. In this case, the bank's credit risk can be well spread out, so that the risk from non-performing loans to one creditor or sector will not significantly impact the bank's profits as a whole.

According to Muplihah et al (2022), the insignificant effect of credit risk reflected on NPLs can be indicated that banks have other sources of income besides credit income, which are classified as larger and have more influence on changes in profitability. According to Cashmere (2014), bank profits derived from the results of transactions or other bank services are called fee base income. The fee base income comes from collection rates, transfer fees, credit card fees, and so on.

Effect of Operational Efficiency on Profitability

Based on the results of research related to the effect of operational efficiency on profitability in terms of the Return on Asset (ROA), Return on Equity (ROE), and Net Interest Margin (NIM) ratios at BPR Bahteramas in Southeast Sulawesi, it was found that operational efficiency is measured using the ratio of Operational Costs to Operating Income (BOPO) has a significant positive effect on profitability in terms of the Return on Assets (ROA) ratio, while the effect of operational efficiency on profitability in terms of Return on Equity and Net Interest Margin which in his findings is not insignificant. Where BOPO has no significant positive effect on Return on Equity (ROE) and no significant negative effect on Net Interest Margin (NIM).

This can be interpreted that the increase in operational efficiency which is reviewed based on the ratio of Operating Expenses to Operating Income (BOPO) will have an impact on increasing profitability, specifically Return on Assets (ROA) at BPR Bahteramas in Southeast Sulawesi in the 2017-2021 period. The findings of this study reject the research hypothesis that operational efficiency has a significant negative effect on bank profitability. Where the high operating expenses will affect the decrease in profitability obtained by the bank. Operational efficiency, which is measured using the BOPO ratio, is intended to calculate how much it costs a bank to run banking operations against the income earned from operational activities. The high achievement of this ratio,

This is in line with the description of Dewi & Purnami (2021) whereas a high BOPO level indicates that a bank is not carrying out its operational activities efficiently. According to Bank Indonesia, in the bank's internal circular letter (2004) stated that the high BOPO ratio is a reflection of the bank's lack of ability to emphasize operational costs and increase operating income which can have an impact on incurring losses due to a lack of efficiency in managing its business. Trisnaningsih & Umar (2018) that the company's profit increase can increase if there is an emphasis from the company's management on the use of operational costs.

The results of this study are in line with the description of previous research conducted by Serley et al (2022), where in his findings BOPO has a significant positive effect on bank profitability (ROA). Hartanto & Syarif (2022) in similar findings also stated that Operating Expenses on Operating Income (BOPO) had a significant positive effect on bank profitability. Different findings are also described by Affandi & Simarmata (2022) that there is no significant positive effect between BOPO on bank profitability.

In practice, high operating costs can affect a bank's ability to achieve higher net profit by reducing profit margins and increasing the cost of capital. High operational costs can also reduce bank operational efficiency and productivity, which in turn can affect the bank's overall financial performance.

However, in certain cases, an increase in a bank's operational costs can affect an increase in the profitability ratio. It can even be said that the bank has managed its operational costs properly and effectively. In this case, operational costs invested by the bank have provided positive returns and can help improve the bank's overall financial performance.

It is also possible to have a significant positive influence between operational costs on profitability, due to the highly competitive competition faced by BPR Bahteramas. So that the amount of operational costs can be indicated as an investment in technology, infrastructure, or human resources of a higher quality. It is hoped that from this investment, BPR Bahteramas can improve operational efficiency, customer satisfaction, and the reputation of the bank itself.

For example, the case of Bank Mandiri recorded an increase in the BOPO ratio from 67.44 percent in 2019 to 80.03 percent in 2021. Where the increase in operating expenses was not only caused by the Covid-19 pandemic, it was also shown to increase technological capacity for remote banking support. However, the increase in operating expenses was in line with the relatively positive financial performance results, where there was an increase in net income of 1.8 percent amidst difficult economic conditions.

RESEARCH LIMITATIONS

In this study there are still some limitations, among others;

1. This research was limited to BPR Bahteramas in Southeast Sulawesi Province which consisted of 12 BPRs so the results of this study cannot be generalized because the results would be different if the research was conducted on different objects.
2. This research was conducted to determine the effect of capital structure, credit risk, and operational efficiency on the profitability of rural banks in Southeast Sulawesi in general. This research has not been able to describe specifically the capital structure, credit risk, and operational efficiency on profitability in each BPR, so it has not described the financial performance specifically and in detail at each Bahteramas BPR in Southeast Sulawesi.
3. The limitations of the variable indicators in this study were from the capital structure only use the Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER), from credit risk namely Net Performing Loans (NPL) and Loan to Deposit Ratio (LDR) and Operational Efficiency use indicator of Operating Expenses to Operating Income (BOPO).

CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on the results of the discussion of research related to "The Influence of Capital Structure, Credit Risk and Operational Efficiency on the Profitability of BPR Bahteramas in Southeast Sulawesi" it can be concluded that:

1. It was found that the capital structure measured by the Debt to Equity Ratio (DER) and Debt to Asset Ratio (DAR) had no significant effect on profitability in terms of the ratios of Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM). at BPR Bahteramas throughout Southeast Sulawesi during the 2017-2021 period. This means that the use of capital structure does not affect increasing the profitability of BPR Bahteramas in Southeast Sulawesi both in terms of net profit, equity, and interest income.
2. It was found that credit risk measured on Non-Performing Loans (NPL) and Loan Deposit Ratio (LDR) had no significant effect on profitability in terms of Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM) ratios in BPR Bahteramas in Southeast Sulawesi. This means that the increase in credit risk as measured by NPL and LDR has no significant effect on the profitability of BPR Bahteramas in Southeast Sulawesi, both in terms of profit, equity, and interest income.
3. It was found that there was a positive and significant effect of operational efficiency on profitability in terms of Return on Assets (ROA) at BPR Bahteramas Se Sulawesi Tenggara during the 2017-2021 period. While it is different for profitability which is reviewed based on Return on Equity (ROE) and Net Interest Margin (NIM) which are found not to be affected by operational efficiency. This means that operational costs affect the profitability of Bahteramas BPRs throughout Southeast Sulawesi, especially in increasing BPR net profits.

Suggestion

Based on the results of the analysis and findings in the research, several suggestions need to be considered regarding "The Influence of Capital Structure, Credit Risk, and Operational Efficiency on the Profitability of BPR Bahteramas in Southeast Sulawesi, namely:

1. It is hoped that BPR Bahteramas throughout Southeast Sulawesi will pay attention to the bank's financial performance, especially in the use of debt that is larger than its capital. It requires analysis and consideration of various factors in the use of high debt levels so that it does not have implications for possible risks that may be faced by BPR Bahteramas.
2. It is hoped that BPR Bahteramas throughout Southeast Sulawesi will pay attention to the bank's financial performance, especially for high credit risk. Although in the findings credit risk does not affect profitability, credit risk is one of the main risks in bank operations that needs to be managed properly by taking into account the balance of the credit portfolio.
3. It is hoped that BPR Bahteramas throughout Southeast Sulawesi will pay attention to the bank's financial performance, especially in operational efficiency which is more dominated by the amount of operating expenses compared to operating income. In addition, it is also necessary to pay attention to the effectiveness of operational expenses, so that the amount of operational expenses allocated in the long term can affect the profitability of BPR Bahteramas.
4. It is hoped that further research will review, test and develop the effect of capital structure, credit risk, and operational efficiency on profitability by adding several ratio indicators that have not been studied by researchers in this study, including capital Adequacy Ratio (CAR), Cash Ratio (CR), Earning Asset Quality (KAP), and Allowance for Earning Asset Losses (PPAP).

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