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Comparative Analysis Of Financial Performance Of Conventional Banking In Asean

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ABSTRACT

ASEAN is a combination of 10 countries in Southeast Asia. Each ASEAN member country has a different banking system, but all are dominated by conventional banks which have an important role in the region's economic growth. This research aims to identify the influence of the NPL, CAR, and BOPO variables partially and simultaneously on ROA on the financial performance of conventional banking in ASEAN. Apart from that, this research also aims to compare differences in regulatory structures to identify the strengths and weaknesses of banks that show strong financial performance in facing challenges and to assist in evaluating systematic risks that may arise from the banking sector in ASEAN countries. The method used in the research is a quantitative method with a comparative or comparing approach, and the data was analyzed through a panel test using Eviews 12 software. The results of the hypothesis test showed that simultaneously, the three variables (NPL, CAR, and BOPO) significantly influence banking profitability in ASEAN (Indonesia, Malaysia, Singapore, and Vietnam).

INTRODUCTION

Investors have been drawn to the economic expansion in the ASEAN region in recent years. ASEAN, a collective of 10 Southeast Asian nations, encompasses Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei Darussalam, Vietnam, Cambodia, Myanmar, and Laos. While each member country in ASEAN possesses a distinctive banking system, conventional banks hold sway in all of them, playing a pivotal role in the regional economic expansion. The conventional banking sector has emerged as a focal point in the ASEAN economies, given its significant contribution to providing financial support across the region. In the era of globalization and heightened competition, the role of the banking sector has gained strategic importance, proving decisive in the economic development of individual countries such as Indonesia, Malaysia, Singapore, and Vietnam.

According to Rochmadhona et al. (2018), the four nations of Indonesia, Malaysia, Singapore, and Vietnam constitute the major economic powerhouses within ASEAN. These nations significantly impact the financial outcomes of banks when compared to the remaining six ASEAN countries, namely the Philippines, Thailand, Brunei Darussalam, Cambodia, Myanmar, and Laos. In addition, these four countries (Indonesia, Malaysia, Singapore, and Vietnam) are the countries with the highest profitability in ASEAN. this condition is an attraction for researchers to analyze performance comparisons in the banking sector. Likewise, Malaysia has a banking system that has achieved significant achievements in the conventional banking financial industry. Singapore is a global financial center and has a very open and tightly regulated banking system. Vietnam also has a banking sector that has grown rapidly in recent years, especially in the 2021 period. These four countries (Indonesia, Malaysia, Singapore, and Vietnam) cover a wide spectrum in terms of economic development and level of development.

Comparative analysis of the financial performance of conventional banks in ASEAN is relevant to do because of the differences in economic conditions in each ASEAN member country that affect financial performance. In the financial analysis of conventional banking in ASEAN, several factors need to be analyzed, such as financial ratios, asset quality, and financial performance. By knowing the condition and performance of conventional banks in ASEAN, strategic steps can be taken to improve banking competitiveness at the regional and even global levels. Then, this analysis is also useful for banking regulators in each ASEAN member country to take the right policy in supervising and controlling the banking sector.

One of the studies conducted by (Wibowo, 2015) is a comparative analysis of the financial performance of Islamic banking using the Camel method in ASEAN (Comparative Study: Indonesia, Malaysia, Thailand). The results of their research showed that the crisis had a significant impact on the financial performance of banks in the region. Another study conducted (Ulina & Majid, 2020) analyzed the comparison of Islamic determinants of conventional banking performance in Indonesia. The results showed that banks in ASEAN countries experienced an increase in financial performance during this period, but there were still differences in performance between larger and smaller banks. In addition, research conducted by (Marisya, 2021) regarding several factors such as liquidity, efficiency, and bank size has a significant influence on bank financial performance.

Earlier research on banking financial performance factors has frequently utilized various Islamic banks, employing financial ratios such as Capital Adequacy Ratio (CAR), Return on Asset (ROA), Return on Equity (ROE), and Operating Costs to Operating Income (BOPO). Notably, there has been a lack of studies exploring the relationship between the Non-Performing Loan (NPL) variable and the financial performance of traditional banks, making it a topic that has not been debated. This study stands out from others that focus on the "Comparative Analysis of Islamic Banking Financial Performance in ASEAN." The present researchers, emphasizing the Non-Performing Loan (NPL) variable, have titled their study "Comparative Analysis of Conventional Banking Financial Performance in ASEAN," aiming to investigate the financial performance of conventional banks in each of the ASEAN member states.

In light of the background information mentioned above, the problem is stated as follows: (1) How do variations in monetary policy, regulatory frameworks, and banking practices across ASEAN member nations affect the financial performance of conventional banks? (2) What is the influence of factors such as Capital Adequacy Ratio (CAR), Non-Performing Loan (NPL), and Operating Costs to Operating Income (BOPO) on the Return on Assets (ROA) and overall financial performance of individual and collective conventional banks in ASEAN?

LITERATURE REVIEW

This research is grounded in the theoretical framework of banking financial performance, as articulated by Pandiangan et al. (2022). Bank financial performance encompasses the aspects of

acquiring and allocating funds, providing a comprehensive snapshot of a bank's financial status during a specific timeframe. The performance metrics shed light on a company's strengths and weaknesses, allowing for an analysis of its success. Analyzing financial statements, which encompass balance sheets, profit and loss statements, and cash flow statements, can reveal valuable insights into a company's financial performance. In the context of this theoretical framework, the evaluation of financial performance involves a thorough examination of key information within financial statements, including metrics such as return on assets (ROA), non-performing loans (NPL), capital adequacy ratio (CAR), and operational costs to operating income (BOPO). The paradigm posits that assessing the profitability of an entity in relation to its assets can be accomplished through metrics like the return on assets (ROA) ratio, serving as a valuable tool for appraising the financial performance of banks.

The association between the profitability (ROA) and financial performance of banks has been a topic of extensive discussion. Prominent research indicates that profitability (ROA) has a positive and substantial influence on the financial performance of traditional banks in the ASEAN region. For example, investigations by Saleh & Winarso (2021) focusing on the Analysis of Non-Performing Loans (NPL) and Loan Deposit Ratio (LDR) concerning Profitability underscore the notable significance of the NPL variable. Conversely, Andriyani et al. (2018), in their examination of the Health Level of Commercial Banks pre and post the Application of the RGEC Method in Indonesia, argue that the NPL variable does not have a significant impact on ROA. Additionally, Hilaliyah et al. (2021) discovered in their Comparative Analysis of Financial Performance Before and After Covid-19 in Companies Listed on the IDX that the Capital Adequacy Ratio (CAR) variable significantly affects profitability. In contrast, research by Andiansyah (2020), investigating the Effect of CAR, NPL, BOPO, and LDR on ROA with NIM as an Intervening Variable, contends that the CAR variable does not influence profitability due to the suboptimal utilization of existing capital by 30 commercial banks operating from 2015-2028. Similarly, Azimawati (2023) discloses in her study on the Effect of Non-Performing Loans, Loan to Deposit Ratio, and Operating Costs and Operating Income on Regional Development Bank Profitability that the BOPO variable has a notably negative impact on ROA in the context of conventional banking financial performance. This finding contrasts with research conducted by Ichsan & Nasution (2020) analyzing the Effect of NPL, CAR, BOPO, and IRR on the growth of financial performance of banks listed on the Indonesia Stock Exchange for the period 2011-2015. The latter research suggests that the BOPO variable does not exert a significant influence on ROA in the realm of conventional banking financial performance

Researchers often lean towards conducting studies with the backing of prior research findings, such as those presented by (Supit et al., 2019) in their Comparative Analysis of the Financial Performance of BUMN Banks and National Private Banks Listed on the Indonesia Stock Exchange. This research suggests that the credit ratio coefficient variable (NPL) does not exhibit a significant effect, but it does have a negative direction that warrants further emphasis or clarification.

Return on Assets (ROA) holds significance in economic terms as it gauges a company's profitability by measuring its ability to generate profits in the past. ROA, often referred to by its abbreviation, is a ratio that assesses the efficiency of a company in managing its assets to generate profits during a specific period. As highlighted by Ningsih & Dewi (2020), the analysis associated with Return on Assets (ROA) can provide insights into a company's future profitability by evaluating its capability to generate profits. ROA is typically expressed as a percentage (%), indicating the proportion of profits generated in relation to the company's assets.

The non-performing loan (NPL) ratio serves as a valuable metric for assessing a bank's capacity to evaluate the risk associated with the potential failure of repaying creditors and debtors. NPL essentially reflects credit risk, with a smaller NPL indicating a reduced credit risk borne by the bank. According to Wahyuni et al. (2023), a higher NPL ratio corresponds to poorer credit quality for the bank, leading to an increase in non-performing loans and an elevated

likelihood of the bank facing financial difficulties. NPL is represented as the ratio of non-performing loans to total loans, and a higher ratio signifies a deterioration in the quality of the bank's credit portfolio, resulting in increased non-performing loans and associated losses. Conversely, a lower NPL indicates enhanced profitability for the bank (Khamisah et al., 2020). The escalation of NPL contributes to elevated bad debts for the bank, tying up funds that could otherwise be utilized and having the potential to diminish return on assets (ROA) (P. F. Widyastuti & Aini, 2021). Consequently, NPL exerts a negative and substantial impact on profitability, as measured by ROA. The Capital Adequacy Ratio (CAR) is a metric that signifies the adequacy of a bank's capital in absorbing risks associated with credit failures, as defined by Setyarini (2020). CAR is expressed as a percentage of credit risk within a banking company, serving as a gauge to assess the adequacy of a bank's capital. This ratio holds a pivotal role in a bank's capacity to recognize, measure, monitor, and control risks arising from the impact on its capital size, making it a crucial factor for banking entities. According to Sadi'yah et al. (2021), CAR reflects the degree to which a decline in bank assets can be covered by the available high-quality capital. A higher CAR indicates a more favorable condition for a bank. Upholding or enhancing the CAR value is essential for bank management to comply with regulations set by OJK, BNM, MAS, and SBV. Sufficient capital empowers banks to expand their business securely, as emphasized by N. K. A. P. Putri et al. (2018). Consequently, CAR has a positive and significant impact on profitability, as assessed by return on assets (ROA).

Operating expenses and operating income ratios serve as valuable indicators for assessing a bank's efficiency, as they gauge the management's capability to control operational costs, as suggested by Nanda et al. (2019). The bopo (operating expenses to operating income) ratio is particularly informative, with a higher ratio signifying greater inefficiency for the bank. Increased bopo ratios are associated with higher operating costs, leading to diminished banking efficiency and consequently reduced profitability. Operating costs are computed by considering both the total interest and overall operating expenses. The mentioned ratio plays a vital role in assessing the effectiveness of a bank's management in controlling operational costs in relation to operating income. A lower BOPO ratio signifies more efficient management of operating costs for the given bank, as emphasized by Khamisah et al. (2020). As a result, BOPO demonstrates a negative and noteworthy influence on profitability, as measured by return on assets (ROA).

METHODS

This research employed a quantitative methodology to perform a comparative analysis of the financial performance of four ASEAN banks, specifically those situated in Indonesia, Malaysia, Singapore, and Vietnam. Through the use of various data gathering tools, quantitative research examines a sample or a specific population. Its analysis uses quantitative methods to check if the specified hypothesis is true.

The population in this study comprises data from multiple banking companies across ASEAN countries. The study's sample was selected using predetermined and modified criteria, one of which was that the bank under examination be the biggest conventional bank in each of the four countries (Indonesia, Malaysia, Singapore, and Vietnam) and have the highest profitability according to all bank regulators in those countries, including the Financial Services Authority (OJK), Central Bank of Negara Malaysia (BNM), Monetary Authority of Singapore (MAS), and State Bank of Vietnam (SBV). Using annual report data from each conventional banking company under study, the study examined operating costs, capital, profits, and bad debts in four countries (Indonesia, Malaysia, Singapore, and Vietnam) as follows:

Table 1. The Biggest Conventional Bank In Four Countries

No	Bank Conventional Indonesia	Bank Conventional Malaysia	Bank Conventional Singapura	Bank Conventional Vietnam
1.	BCA	CIMB	DBS	VIETINBANK
2.	BRI	MAYBANK	OCBCNISP	VIETCOMBANK
3.	BNI	PUBLIK BANK	UOB	TECHCOMBANK
4.	MANDIRI	RHB BANK	CITIBANK	ACB BANK

Every piece of information gathered will be processed using Eviews 12, and it originates from financial reports that are accessible through traditional banks in the country of destination. The explanation is as follows: This study's equation form is as follows.

$$Y = \beta 0 + \beta 1NPLi + \beta 2Cer + \beta 3BoPi + Uit$$

Where:

Y : Return on Asset (ROA)
NPLi : Non Performing Loan (NPL)
Cer : Capital Adequacy Ratio (CAR)
BoPi : BOPO
β0 :Konstanta
β1, β2, β3 : Koefisien regresi
Uit : Confounding variables

1. Choosing The Optimal Panel Data Model
   In the field of panel data analysis, three commonly used models are the Common Effect Model, Fixed Effect Model, and Random Effect Model. The identification of the most appropriate model involves conducting a series of tests, including the Common Effect and Fixed Effect tests, often referred to as the Chow test. Furthermore, the Hausman test is employed to detect differences between the Fixed Effect and Random Effect tests. The conclusive step in determining the most suitable model entails using the LM test, which integrates both Fixed Effect and Common Effect test.
2. Hypothesis Test
   Once the best model has been identified, the subsequent step involves testing the hypothesis. This testing will be conducted by examining the outcomes of the T-test (individually), F-test (collectively), and the coefficient of determination (R2), which includes R-squared and Adj. R-squared. These tests aim to ascertain the impact of the dependent variable on the independent variable.

RESULTS

Conventional banking in the ASEAN region faces several factors that can affect the performance of the banking industry in the region. Some of the issues that often arise in the financial performance of conventional banks in ASEAN include unstable economic growth, poor asset quality, capital constraints, and intense competition. To address these issues, conventional banks in ASEAN need to take measures such as strengthening risk management, improving regulatory compliance, developing density diversification strategies, and strengthening bank capital. To overcome the financial performance problems of conventional banks in ASEAN, several solutions can be used, namely strengthening risk management, increasing capital and capital adequacy, diversifying income, and increasing operational efficiency. In addition, conventional banks in ASEAN need to comply with regulations and policies set by supervisory authorities and be able to adapt to changes in the business environment and evolving technology.

Best Model Selection Test Results

When estimating panel data regression models, the Common Effect, Fixed Effect, and Random Effect techniques are the three methods utilized. The following is a table of data processing:

Table 2. Best Model Test

Country	Test	Prob.	Description.
Indonesia	Chow	0.0000	Fixed Effect Model
	Hausman	0.0000	
	LM	0.0000	
Malaysia	Chow	0.0000	Fixed Effect Model
	Hausman	0.0000	
	LM	0.0000	
Singapura	Chow	0.5194	Random Effect Model
	Hausman	0.5888	
	LM	0.4271	
Vietnam	Chow	0.0000	Fixed Effect Model
	Hausman	0.0000	
	LM	0.0019	
ASIAN	Chow	0.0000	Fixed Effect Model
	Hausman	0.0000	
	LM	0.0000	

Based on Table 1 above for Indonesia, Malaysia, and Vietnam, the best model results are right to analyze conventional banking financial performance data in ASEAN, namely the Fixed Effect Model while for Singapore, the best model results are right to analyze banking financial performance data in ASEAN, namely the Random Effect Model with each of the four intended conventional banks, namely BRI banks, BCA, BNI, Mandiri, Maybank Malaysia, CIMB Malaysia, Public Bank, RHB Bank Malaysia, DBS Singapore, OCBCNISP Singapore, UOB Bank Singapore, CITI Bank Singapore, VIETIN, VIETCOM, TECHCOM Bank, and ACB Bank in Vietnam according to the selection of panel data regression estimation techniques, so that when FE and RE are selected, the analysis carried out is complete. In addition, significant parameter tests will be continued on the panel data regression equation for the best model.

Uji Hypoplant

The purpose of hypothesis testing is to determine the significance of the regression coefficient. If the value of the regression coefficient is statistically equal to zero, it is considered insignificant. Conversely, if the regression coefficient is not equal to zero, there is insufficient evidence to conclude that the predictor variable has an impact on the response variable. The T-test (partial test), F-test (simultaneous test), and coefficient of determination analysis (R-Square) are essential tools for evaluating the significance of regression coefficients.

Table 3. Panel Data Regression Estimation Test

Country	Variable	Coefficient	t-Statistic	Prob.	Description
Indonesia	C	11.83052	19.13976	0.0000	Signifikan
	NPL_X1	0.023196	0.287834	0.7753	Tidak Signifikan
	CAR_X2	-0.059744	-3.131.583	0.0036	Signifikan
	BOPO_X3	-0.109610	1.312.704	0.0000	Signifikan
Malaysia	C	6.488922	14.46066	0.0000	Signifikan
	NPL_X1	-0.250939	-3.352.391	0.0020	Significance

	CAR_X2	-0.064570	4.200.891	0.0002	Signifikan
	BOPO_X3	-0.066226	9.870.010	0.0000	Signifikan
Singapura	C	-2.476079	-6.072535	0.0000	Signifikan
	NPL_X1	-0.552256	2.637.749	0.0122	Signifikan
	CAR_X2	0.206644	7.584.606	0.0000	Signifikan
	BOPO_X3	0.017463	3.383.584	0.0017	Signifikan
Vietnam	C	22.95105	2.572814	0.0149	Signifikan
	NPL_X1	-0.014634	-0.093743	0.9259	Tidak Signifikan
	CAR_X2	0.035803	0.824721	0.4156	Tidak Signifikan
	BOPO_X3	-0.045547	-3.499.991	0.0014	Significance
ASEAN	C	3.383762	6.997921	0.0000	Signifikan
	NPL_X1	-0.130109	-1.522868	0.1300	Tidak Signifikan
	CAR_X2	0.070257	3.811993	0.0002	Signifikan
	BOPO_X	-0.047007	-6.507386	0.0000	Significance

The panel data regression model in the table above is as follows: **Yit = 11.83052 + 0.023196 NPLi – 0.059744 Cer – 0.109610 BoPi**

The constant of 11.83052 indicates that the amount of ROA on the Financial Performance of Conventional Banking in Indonesia is 11.83052, independent of NPL, CAR, or BOPO. According to the regression coefficient of 0.023196, the financial performance of conventional banking in Indonesia would decline by 0.023196% for each extra NPL of 1. Based on the CAR regression coefficient of 0.059744, each addition of 1 unit of CAR will result in a decrease in ROA on the financial performance of conventional banks in Indonesia by 0.059744 percent. BOPO regression coefficient of -0.109610, the ROA of conventional banking financial performance in Indonesia will increase by 0.109610 percent for each additional 1 unit of BOPO. When working in Malaysian banking, remember to: Yit = 6.488922 – 0.250939 NPLi – 0.064570 Cer – 0.066226 BoPi

The constant of 6.488922 indicates that the amount of ROA on the Financial Performance of Conventional Banking in Malaysia is 6.488922, independent of NPL, CAR, or BOPO. With a regression coefficient of -0.250939, the financial performance of conventional banking in Malaysia would decline by 0.250939% for each new NPL of 1. Based on the CAR regression coefficient of -0.064570, each addition of 1 unit of CAR will result in a decrease in ROA on the financial performance of conventional banks in Malaysia by 0.064570 percent. BOPO regression coefficient of -0.066226, the ROA of conventional banking financial performance in Malaysia will increase by 0.066226 percent for each additional 1 unit of BOPO. While in banking in Singapore as follows: Yit = 2.476079 – 0.552256 NPLi + 0.206644 Cer + 0.017463 BoPi

The constant of 2.476079 indicates that the amount of ROA on the Financial Performance of Conventional Banking in Singapore is 2.476079, independent of NPL, CAR, or BOPO. With a regression coefficient of -0.552256, the financial performance of conventional banking in Singapore will decline by 0.552256% for each extra NPL of 1. Based on the CAR regression coefficient of 0.206644, each addition of 1 unit of CAR will result in a decrease in ROA on the financial performance of conventional banks in Singapore by 0.206644 percent. BOPO regression coefficient of 0.017463, the ROA of conventional banking financial performance in Singapore will increase by 0.017463 percent for each additional 1 unit of BOPO. While in banking in Vietnam as follows: Yit = 2.295105 – 0.014634 NPLi + 0.035803 Cer + 0.045547 BoPi

The constant of 2.295105 indicates that the amount of ROA on the Financial Performance of Conventional Banking in Vietnam is 2.295105, independent of NPL, CAR, or BOPO. According to the regression coefficient of -0.014634, the financial performance of

conventional banking in Vietnam would decline by 0.014634% for each extra NPL of 1. Based on the CAR regression coefficient of 0.035803, each addition of 1 unit of CAR will result in a decrease in ROA on the financial performance of conventional banks in Vietnam by 0.035803 percent. BOPO regression coefficient of 0.045547, the ROA of conventional banking financial performance in Vietnam will increase by 0.045547 percent for each additional 1 unit of BOPO. While in banking in all ASEAN countries (Indonesia, Malaysia, Singapore, and Vietnam) as follows: Yit = 3.383762 – 0.130109 NPLi + 0.070257 Cer - 0.047007 BoPi

The constant 3.383762 indicates that the amount of ROA on Conventional Banking Financial Performance in ASEAN is 3.383762, independent of NPL, CAR, or BOPO. With a regression coefficient of -0.130109, the ROA on conventional banking financial performance in ASEAN will drop by 0.130109% for every NPL added. Based on the CAR regression coefficient of 0.070257, each addition of 1 unit of CAR will result in a decrease in ROA on conventional banking financial performance in ASEAN by 0.070257 percent. The BOPO regression coefficient is 0.047007, and the ROA of conventional banking financial performance in ASEAN will increase by 0.045547 percent for each additional 1 unit of BOPO.

T Test (Partial)

The results of Table 2, which was tested using the Eviews 12 program, indicate that the NPL variable in Indonesia has no effect, while the NPL variable in Malaysia exhibits significant and influential results; Singapore, on the other hand, demonstrates significant and influential results as well; Vietnam displays influential but insignificant results; and for all four ASEAN countries (Indonesia, Malaysia, Singapore, and Vietnam), the NPL variable exhibits significant but influential results to the profitability of banking financial performance in ASEAN. The CAR variable in Indonesia displays significant but no impact findings, followed by the CAR variable in Malaysia which similarly displays substantial but no effect results, and the CAR variable in Singapore which. The BOPO variable in Indonesia exhibits a statistically significant impact on banking profitability. Similarly, in Malaysia, the BOPO variable yields results indicating a significant effect on profitability. Conversely, in Singapore, the BOPO variable demonstrates statistical significance, although it does not appear to have a significant effect. In Vietnam, the BOPO variable shows results with a significant effect on profitability. When considering the overall ASEAN 4 countries, which encompass Indonesia, Malaysia, Singapore, and Vietnam, the BOPO variable consistently reveals a statistically significant influence on the profitability of banking financial performance across the ASEAN region. This suggests a shared pattern of significance in the impact of the BOPO variable on banking profitability in the broader ASEAN context.

F Test (Simultaneous)

To assess whether there is feasibility or simultaneous influence between the independent variable and the dependent variable, the F-test is conducted as follows:

Table 4. F Test (Simultaneous)

Country	prob (F-statistik)
Indonesia	0.000000
Malaysia	0.000000
Singapura	0.000000
Vietnam	0.000052
ASIAN	0.000000

Based on the F test in Table 3 above in this study, Indonesia, Malaysia, and Singapore simultaneously obtained a prob (F-statistic) value of 0.000000 which has a significant value

smaller than 0.05. While in Vietnam simultaneously obtained a prob (F-statistic) value of 0.000052 which has a significant value smaller than 0.05. So it is decided that simultaneously the variables of NPL, CAR, and BOPO have a significant effect on the financial profitability of banks in ASEAN countries (Indonesia, Malaysia, Singapore, and Vietnam).

Coefficient Determinasi (R^2)

To measure the ability of the model to explain how the influence of the independent variables simultaneously affects the dependent variable, the R-square and Adj R-square tests are carried out as follows:

Table 5. R-square and Adj R-square Test

Country	R-squared	Adj R-squared
Indonesia	0.919196	0.904505
Malaysia	0.904317	0.886920
Singapura	0.737233	0.715336
Vietnam	0.580286	0.501589
ASEAN	0.762002	0.731402

Then the results in Table 4 above the R-squared value in Indonesia is 0.919196 which is the effect of the three X variables on the profitability of conventional banks in Indonesia (BRI, BCA, BNI, and Mandiri) which is 91.91% while the remaining 8.09% is explained by other variables. While R-squared in Malaysia is 0.904317 which is the influence of the three X variables on the profitability of conventional banks in Malaysia (CIMB, MAYBANK, Public Bank, RHB Bank) which is 90.43% while the remaining 9.57% is explained by other variables. With an R-squared value of 0.737233, the traditional banks in Singapore (DBS, OCBCNISP, UOB, and CITI Bank) may be said to have a profitability impact that is 73.72% explained by the three X factors and 26.28% by other variables. The three X factors' effect on the profitability of Vietnam's conventional banks (Vietin, Vietcom, Techom Bank, and ACB Vietnam) is represented by an R-squared of 0.580286, or 58.02%; other factors account for the remaining 41.96%.

Finally, the result on the value of Adj. R-squared which shows a result of 0.904505 and means that the effect of the three X variables on the profitability of conventional banks in Indonesia (BRI, BCA, BNI, and Mandiri) is 90.45% and the rest is explained by other variables is 9.55%.The three X factors have an 88.69% influence on the profitability of Malaysia's conventional banks (Cimb, Maybank, Public Bank, and RHB Bank), with the remaining 11.31% being explained by other variables, according to the country's adjuctive R-squared of 0.886920. The worth of Adj. The R-squared value for Singapore is 0.715336, indicating that the three X factors have a 71.53% impact on the profitability of traditional banks in Singapore (DBS, OCBCNISP, UOB, and CITI Bank), with other variables accounting for the remaining 28.47%. While for the value of Adj. The R-squared value in Vietnam shows the result of 0.501589 and means that the effect of the three X variables on the profitability of conventional banks in Vietnam (Vietin, Vietcom, Techom Bank, ACB Bank) is 50.15% and for the rest explained by other variables is 49.85%.

DISCUSSION

The Effect Of NPL On Roa On The Financial Performance Of Conventional Banking In ASEAN

The results of data analysis that have been carried out in Table 2 show that the NPL variable (X1) in Indonesia shows a value of 0.7753> 0.05, which value shows an insignificant relationship to profitability (ROA) of conventional banking in 4 Indonesian state banks (BRI, BCA, BNI, and Mandiri). This research is supported by (La Ode Sumail, 2021) which shows that the NPL

variable does not affect profitability. This is because the lower the NPL, the higher the change in profitability (ROA). The results of data analysis of the NPL variable (X1) in Malaysia show a value of 0.0020 <0.05, which value shows a significant relationship to the profitability (ROA) of conventional banking in 4 banks in Malaysia (CIMB, MAYBANK, PUBLIC Bank Berhard, and RHB Bank). This research is supported by Maulana et al., (2021) which shows that the NPL variable has a positive effect on profitability. When NPLs are higher, loan interest arrears have the potential to reduce interest income and reduce changes in profitability (ROA). This is because an increase in the NPL ratio indicates an increase in loans or financing, and the ratio of total credit or total financing to deposits has a favorable impact on the operational financial performance of conventional banks in Malaysia. While for the results of data analysis of the NPL variable (X1) in Singapore is 0.0122 <0.05, whose value shows a significant relationship to profitability (ROA) of conventional banking in 4 banks in Singapore (DBS, OCBCNISP, UOB, and Citibank). This research is supported by (Widyastuti et al., 2021) which shows that the NPL variable has a positive influence on profitability. When NPLs are higher, loan interest arrears have the potential to reduce interest income and reduce changes in profitability (ROA). This is because an increase in the NPL ratio indicates an increase in loans or financing, and the ratio of total credit or total financing to deposits has a favorable impact on the operational financial performance of conventional banks in Singapore. While the results of data analysis of the NPL variable (X1) in Vietnam are 0.925>0.05, which value indicates an insignificant relationship to the profitability (ROA) of conventional banking in 4 banks in Vietnam (VIETIN, VIETCOM, TECHCOM Bank, ACB Vietnam). The explanation that the NPL variable has no appreciable detrimental impact on bank profitability (ROA) supports this research. This is due to the fact that the majority of the four Vietnamese banks—VIETIN, VIETCOM, TECHCOM Bank, and ACB Bank—cause the decline in NPL to ROA in conventional banks (Putri et al., 2023) less than 5 percent indicates that these banks experience low credit risk, so NPL does not significantly affect bank profitability in Vietnam.

The Effect Of Car On ROA On The Financial Performance Of Conventional Banking In ASEAN

The results of data analysis that have been carried out in Table 1 show that the CAR (X2) variable in Indonesia shows a value of 0.0036 <0.05, which value shows a significant relationship to profitability (ROA) of conventional banking in 4 Indonesian state banks (BRI, BCA, BNI, and Mandiri). This research is supported by (Hasan, 2018) showing that CAR has a significant negative effect on profitability (ROA). Because as a buffer for losses for banks, the main thing is that the fulfillment of high CAR is not for saving but for maintaining the risk When the provisions increase, it will make it difficult for banks to be able to channel funds and this means that it will reduce efficiency. While for the results of data analysis of the CAR (X2) variable in Malaysia is 0.0002 <0.05, whose value shows a significant relationship to profitability (ROA) of conventional banking in 4 banks in Malaysia (CIMB, MAYBANK, PUBLIC Bank Berhard, and RHB Bank). This research is supported by (Yunita et al., 2019) showing that CAR has a significant negative effect on profitability (ROA). Because CAR recovers non-performing loan financing and forms reserves, finally high ROA covers losses or increases capital for losses. The results of data analysis of the CAR (X2) variable in Singapore show a value of 0.0000 <0.05, whose value shows a significant relationship to profitability (ROA). This brings positive value to the bank because of the increase in CAR ratio, the banking industry can minimize losses that will occur. The results of this study are supported by (Peling & Sedana, 2018) which shows that the CAR variable has a significant positive effect on profitability. While the results of data analysis of the CAR (X2) variable in Vietnam show a value of 0.4156> 0.05, which value indicates a relationship that has an insignificant effect on profitability (ROA). This research is supported by (Agustiningrum, n.d.) which explains that CAR has a positive but insignificant effect on profitability. This is because Vietnamese bank regulations that require a minimum CAR of 8% result in banks trying to maintain their CAR by the regulations set by the State Bank of Vietnam (SBV). In addition, it can

also occur due to factors that influence both internal and external factors in the banking sector in Vietnam.

The Effect Of BOPO On ROA On The Financial Performance Of Conventional Banking In ASEAN

The results of the data analysis presented in Table 1 indicate that the BOPO variable (X3) in Indonesia has a p-value of 0.0000, which is less than the significance level of 0.05. This low p-value suggests a statistically significant relationship between the BOPO variable and the profitability (ROA) of conventional banking in the four Indonesian state banks (BRI, BCA, BNI, and Mandiri). Because with a high increase in BOPO, the resulting ROA is lower, but banking financial performance can be said to be efficient. The findings in this study are corroborated by research conducted by (Prayoga et al., 2022), which similarly reported negative but significant results. So it can be said that if the management performance of a conventional bank conducts its operations appropriately and efficiently, it will affect the profitability generated in each banking industry in Indonesia. While for the results of data analysis of the BOPO variable (X3) in Malaysia is 0.0000 <0.05, which value shows that it is significant to the profitability (ROA) of conventional banking in 4 banks in Malaysia (CIMB, MAYBANK, Public Bank Berhad, and RHB Bank). Because with a high increase in BOPO, the resulting ROA is lower, but banking financial performance can be said to be efficient. The results in this study are supported by research (I. W. Ningsih & Aris, 2022) which has negative but significant results. So it can be said that if the management performance of a conventional bank conducts its operations appropriately and efficiently, it affects the profitability generated in each banking industry in Malaysia. While for the results of data analysis of the BOPO variable (X3) in Singapore is 0.0017 <0.05, which shows a positive significant relationship to the profitability (ROA) of conventional banking in 4 banks in Singapore (DBS, OCBCNISP, UOB, and Citibank). This research is supported by (KARINA & FAUZAN, 2023) which shows that the BOPO variable has a significant positive effect on (ROA). The smaller the BOPO value, the higher the ROA of banks in Singapore. When operating costs are smaller, the bank's operating income increases.

This affects the increase in total profit before tax of the bank and ultimately there is an increase in profitability (ROA) on the financial performance of banks in Singapore. Meanwhile, the result of data analysis of the BOPO variable (X3) in Vietnam is 0.0014 <0.05, which value shows a negative significant relationship with profitability (ROA) of conventional banking in 4 banks in Vietnam (VIETIN, VIETCOM, TECHCOM Bank, and ACB Bank). Because of a high increase in BOPO, the resulting ROA is lower, but the financial performance of banks can be said to be efficient. The results in this study are supported by research by Ferly et al., (2023) which has negative but significant results. So it can be said that if the management performance of a conventional bank conducts its operations appropriately and efficiently, it will affect the profitability generated in each banking industry in Vietnam.

The Effect Of NPL, CAR, And BOPO On ROA In Conventional Banking Financial Performance In ASEAN

This research occurs because the variables of NPL, CAR, and BOPO have a relationship with each other, the greater the NPL ratio, the bank can channel more financing to customers with easier credit terms, to reduce the bank's high operating costs. However, the higher the CAR the bank will benefit more and more by having a large capital, this is because the bank has a relatively low risk to its capital due to increased CAR conditions. Furthermore, the last one is about BOPO if the operational costs in a bank increase, the profitability generated by the bank will decrease.

CONCLUSION

This study reveals that the outcomes of data processing and hypothesis testing indicate a negative and insignificant impact of Non-Performing Loans (NPL) on the profitability of conventional banks in Indonesia and Vietnam. Conversely, the Non-Performing Loans (NPL) variable in Malaysia and Singapore exhibits a negative and significant effect on the profitability of conventional banks in ASEAN. Notably, a significant difference is observed between Indonesia and Malaysia in the Capital Adequacy Ratio (CAR) variable, which negatively influences the profitability of conventional banks in ASEAN. However, the Capital Adequacy Ratio (CAR) variable in Singapore has a positive and significant effect on the profitability of conventional banks in the ASEAN region. In Vietnam, the Capital Adequacy Ratio (CAR) shows a positive but insignificant effect on profitability. Furthermore, the study demonstrates that the Operating Expenses and Operating Income (BOPO) variable in Indonesia, Malaysia, and Vietnam has a negative and significant influence on the profitability of conventional banks in ASEAN countries. In contrast, the Operating Costs and Operating Income (BOPO) variable in Singapore has a positive but significant impact on the profitability of conventional banks in ASEAN. It's important to acknowledge the limitations of this study, particularly in the coefficient of determination (R-Square), which indicates that 91.91% of the results in Indonesia can be explained by the variables studied, leaving 8.09% unexplained by the model. In Malaysia, 90.43% of the R-Square values can be explained, with other factors accounting for the remaining 9.57%. While additional factors account for 26.28% of the R-Square findings in Singapore, the remaining 73.72% can be explained. Vietnam's R-Square values can be explained by 58.02%, with other factors accounting for 41.96% of the variance. In the meanwhile, 90.45% of the data was explained by the Adj. R-squared values in Indonesia, with the remaining 9.55% coming from other variables. However, in Malaysia, 88.69% of the Adj. R-squared values could be explained, with other factors accounting for the remaining 11.31%. The remaining 28.47% of the Adj. R-squared findings in Singapore, however, were explained by other factors, with 71.53% of the results being explained. Although the Adj.

R-squared findings. Regarding the results of the comparison of conventional banking performance in ASEAN countries (Indonesia, Malaysia, Singapore, and Vietnam) the result is that the four conventional banks in each country studied earn strong income through capital, credit, and operating costs, so this can help business development and also a positive economy in the country. In addition, the profitability found in bank companies is to increase economic growth and with increasing profitability it will show high consumer confidence in conventional bank companies in ASEAN countries. However, Vietnam still needs to conduct effective risk management to reduce the negative impact of several factors such as changes in global economic conditions, interest rate fluctuations, credit risk, and other factors that can affect the financial performance of banks.

SUGGESTION

The practical contribution of this research also provides input to the banking sector that first, the NPL ratio is very important for conventional banks in ASEAN to maintain the right balance between loans and available third-party funds. Managing healthy NPLs will help minimize liquidity risk. Banks should pay attention to diversifying funding sources, such as developing attractive deposit products for customers and increasing cooperation among banks in ASEAN to borrow and lend funds more efficiently.

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