EFFECT OF DEBT TO EQUITY RATIO AND LOAN TO DEPOSIT RATIO AGAINST RETURN ON EQUITY IN REGISTERED BANKING COMPANIES ON THE INDONESIA STOCK EXCHANGE (IDX) FOR 2015-2017

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Abstract

This study aims to determine whether there is an influence of Debt to Equity Ratio and Loan to Deposit Ratio partially or simultaneously to Return on Equity. The research approach uses an associative approach. The sampling criteria used a purposive sampling technique, namely determining the sample with certain criteria, so that from the forty three companies that became the population there were only eighteen companies that could be sampled in Banking Companies listed on the Indonesia Stock Exchange. Data collection techniques use documentation studies. The data analysis technique uses multiple linear regression, regression requirements testing, hypothesis testing (t test and f test) and coefficient of determination. Processing data in this study using SPSS (Statistical Product and Service Solution) Software 16 for Windows. The results of the study prove that partially the Debt to Equity Ratio has an effect but not significant to Return On Equity, and the Loan to Deposit Ratio has an effect but not significant to Return On Equity. While simultaneously Debt to Equity Ratio and Loan to Deposit Ratio have an effect but not significant to Return On Equity.

Keywords: Debt to Equity Ratio, Loan to Deposit Ratio, Return On Equity

INTRODUCTION

Banking is a sub-sector of financial institutions that plays a very important role in encouraging economic growth of a country and the wider community. This sub-sector has a strategic value in the economy of a country engaged in credit activities, and various services provided by banks, serving financing needs and launching a payment system mechanism for all economic factors. Banking as a business-oriented financial institution carries out various transactions, namely raising funds, channeling funds, and other bank services.

In general, the aim of the company is to maximize the profits of its business, including banking companies that are seen from the level of bank soundness determined by financial statements. Financial statements describe the overall financial condition of the bank. To assess the health of a bank, it can be measured by sharing the ratio. One of the ratios used to see the benefits of a bank is the profitability ratio (Return On Equity).

Profitability Ratio is a ratio used to assess the ability of a company in seeking profits or profits in a given period (Kasmir, 2015). Profitability ratios can be measured using the Return on Equity (ROE) ratio or return on equity. This ratio examines the extent to which a company uses its resources to be able to provide a return on equity (Fahmi, 2016). This profitability ratio is measured by net income generated with total capital at the bank itself.

Debt to Equity Ratio is one of the solvency financial ratios. Solvability ratio is a ratio that measures a company's ability to pay off its obligations (Prihadi, 2012). This ratio shows how many parts of each rupiah own capital are used as collateral for the
total debt (Hani, 2015). The higher the ratio, the less good because the lower corporate funding provided by shareholders.

Loan to Deposit Ratio is one of the bank's liquidity ratios in analyzing bank financial statements. This ratio shows that the majority of loans given are funded by third party funds (Harahap, 2016). This ratio is used to measure how far the bank is able to refinance funds withdrawals made by depositors by relying on loans provided as a source of liquidity (Wijaya, 2015).

The phenomenon in this study is the decline in Return On Equity which is suspected because the capital used by the company continues to increase while the resulting profit decreases. The decline in the Debt to Equity Ratio is because the total debt has decreased on average. The loan to deposit ratio has increased because the loan to deposit ratio of banks is above average so banks are relatively liquid, which means that banks can channel loans from third party funds lent to prospective debtors.

Based on the background of the thought, the researcher will take the title "Effect of Debt to Equity Ratio and Loan to Deposit Ratio on Return On Equity in Banking Companies listed on the Indonesia Stock Exchange (BEI) for 2015-2017".

The purpose of this study is to examine and analyze the influence of Debt to Equity Ratio and Loan to Deposit Ratio partially or simultaneously to Return On Equity in Banking Companies listed on the Indonesia Stock Exchange in 2015-2017.

THEORETICAL BASIS
Return On Equity

Profitability ratio is a ratio used to assess a company's ability to seek profits or profits in a certain period. This ratio also provides a measure of the level of management effectiveness of a company that is indicated by profits generated from sales or from investment income (Kasmir, 2015). Profitability ratio is very important for all users of the annual report, especially equity investors and creditors to get maximum profit.

Return On Equity is a very important indicator for shareholders and prospective investors to measure the ability of banks to obtain net income associated with dividend payments (Wijaya, 2015). This ratio shows the efficiency of the use of own capital. Capital originating from the bank itself consists of 1) core capital, and 2) supplementary capital (Hasibuan, 2017).

Profitability ratio is used to assess the amount of net income after tax with own capital. There are many benefits obtained from profitability ratios, namely 1) to measure a company's ability to generate profits over a period of time, 2) to assess the position of corporate profits the previous year with the current year, 3) to assess the development of profits over time, 4) to measure how much amount of net income will be generated from each rupiah fund embedded in total assets, 5) to measure how much net profit will be generated from each rupiah fund embedded in total capital, 6) to measure gross profit margin on net sales , 7) to measure operating profit margin on net sales, and 8) to measure net profit margin on net sales (Hery, 2015).

In increasing profits based on capital owned by the company it is better to consider the following factors 1) sales volume, 2) capital structure, 3) debt structure (Hani, 2015), and other ratios that provide information about how well other assets, such as 1) inventory, 2) accounts receivable, 3) fixed assets that have been managed, 4) how companies get funds (Brigham and Houston, 2017). This ratio can be formulated (Hery, 2015) as follows:

\[
\text{Return On Equity} = \frac{\text{Net Income}}{\text{Equity}} \times 100\%
\]
Debt to Equity Ratio

Debt to Equity Ratio is one of the solvency financial ratios used to assess the financial position of a company. This ratio is the ratio between debt and equity (Prihadi, 2012). This ratio shows how many parts of each rupiah own capital are used as collateral for the total debt (Hani, 2015). The higher the ratio, the greater the composition of total debt (short term and long term) compared to the total capital itself, so that the impact of the company's burden on external parties / creditors is greater. The amount of debt burden borne by the company can reduce the amount of profits received by the company.

This ratio has several objectives and benefits, namely 1) to know and analyze the position of the company towards other parties (creditors), 2) to assess and analyze the company's ability to fulfill the obligations of permanent candidates, 3) to assess and analyze the balance between asset values especially fixed assets with capital, 4) to assess and analyze how much the company's assets are financed by debt, 5) to assess and analyze how much influence the company's debt on asset management, 6) to assess and analyze how much of each rupiah's own capital is made long-term debt guarantees, 7) to assess and analyze how much loan funds will be billed immediately, many times own capital (Kasmir, 2012).

There are several factors that can influence the debt to equity ratio is 1) the level of sales, 2) the structure of assets, 3) the rate of growth of the company, 4) the ability to generate profits, 5) the variable profit and tax protection, 6) the scale of the company and 7) company internal conditions and macro economy. (Sjahrial, 2013). Changes in capital structure and increased profits will have an impact on increasing the company's ability to pay obligations due.

In companies engaged in finance such as banks tend to have a high value of debt to equity ratio, because most of the funds they manage are third party funds which are considered as liabilities / debt. According to (Kasmir, 2015) this ratio can be formulated as follows:

\[
\text{Debt to Equity Ratio} = \frac{\text{Liabilities}}{\text{Equity}} \times 100\%
\]

Loan to Deposit Ratio

Loan to Deposit Ratio is one of the liquidity in analyzing bank financial statements and is used to measure how far the bank is able to refinance funds withdrawals made by depositors by relying on loans provided as a source of liquidity. This ratio is an important factor in the smooth running of a company, especially in banking companies. Banking companies are very concerned about liquidity issues because they are the basis of public trust in wealth and smoothness and the ability of the bank's business which lies in the smooth flow of payments in serving the community.

Loan to Deposit Ratio shows how much the loan given is funded by third party funds (Harahap, 2016). This ratio shows how far the bank is able to repay funds withdrawals made by depositors by relying on loans provided as a source of liquidity (Wijaya, 2015).

Loan to Deposit Ratio has a goal, namely 1) to measure the ability of a company to pay obligations or debts that are due at the time of collection, 2) to measure the company's ability to pay short-term liabilities with overall current assets, 3) to measure the company's ability to pay term liabilities short with current assets without calculating stocks or receivables, 4) to measure or compare the amount of available stocks with the company's working capital, 5) to measure how much cash is available to pay debt, 6) as a future planning tool, especially relating to cash and debt planning, 7) to
see the condition and position of the company's liquidity over time by comparing for several periods, and 8) to see the weaknesses of the company from each component in its current assets for several periods (Kasmir, 2012).

This ratio does not escape from a factor that affects the rate of change in the ratio produced. The following are several influencing factors, namely 1) rare events, 2) seasonal factors, 3) business cycle factors, and 4) long-term events (Rivai et al, 2013).

According to Bank Indonesia Regulation Number 15/15 / PBI / 2013 dated 31 December the amount of the Loan to Deposit in conventional banks or Islamic banks that reflects the liquidity of a bank is 78% -92%. This ratio is formulated according to (Harahap, 2016):

\[
\text{Loan to Deposit Ratio} = \frac{\text{Loans}}{\text{Deposits}} \times 100\%
\]

RESEARCH AND METHODOLOGY

The approach in this study uses the Associative approach. The type of data used is quantitative, which is in the form of numbers (secondary data) using a ratio scale based on a formula that is used as the basis of measurement. The population in this study are all Banking Companies Listed on the Indonesia Stock Exchange, which are forty-three companies. The sampling technique is done by purposive sampling technique, namely the technique of determining the sample with certain considerations so that the samples taken in this study were eighteen companies. The technique of collecting data uses documentation studies. The data source used in this study is the Banking Company financial statements obtained from the site www.idx.co.id.

Regression requirements test in this study are Normality Test, Multicollonity Test, and Heterocedasticity test. The data analysis technique uses the Multiple Regression Coefficient, Hypothesis Test (t Test and F Test), and the Coefficient of Determination.

RESULT AND DISCUSSION

Result

Classic Assumption Test

Normality test aims to test whether the regression model between the independent variable and the dependent variable is normally distributed or not. If the data spreads around the diagonal line and follows the direction of the diagonal line, the regression model meets the assumptions of normality. The results of the normality test in this study are:
It can be seen from picture 1 above that the data spreads following a diagonal line meaning that the data between the dependent variable and the independent variable has a normal relationship or distribution or meets the assumption of normality.

Besides using the Normality P-Plot of Regression chart to test residual normality, the Kolmogrof Smirnov test was used with Asymp. Sig (2-tailed) is greater than 0.05 ($\alpha = 5\%$, significant level).

**Table 1. Test of Kolmogrof Smirnov**

<table>
<thead>
<tr>
<th>One-Sample Kolmogorov-Smirnov Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
</tr>
<tr>
<td>Normal Parameters$^a$</td>
</tr>
<tr>
<td>Mean</td>
</tr>
<tr>
<td>Std. Deviation</td>
</tr>
<tr>
<td>Most Extreme Differences</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Kolmogorov-Smirnov Z</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
</tr>
</tbody>
</table>

$^a$ Test distribution is Normal.

**Source:** SPSS 16 Data Processing Results

From the results of processing data in table 1, it can be concluded that the data has a normal distribution. This can be seen by looking at the value of Asymp. Sig. (2-tailed) of 0.716. Where is the significance of 0.716 > 0.05.
Multicollinearity test is used to test whether the regression model found a strong correlation between independent variables. Good regression models should not occur correlations between independent variables. Multicollinearity testing is done by looking at the VIF between the independent variable and the tolerance value. The method used is to see the Tolerance value > 0.1 and the VIF value < 10.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>.034</td>
<td>.060</td>
<td>.559</td>
<td>.578</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DER</td>
<td>.002</td>
<td>.004</td>
<td>.057</td>
<td>.407</td>
<td>.686</td>
<td>.975</td>
</tr>
<tr>
<td>LDR</td>
<td>.055</td>
<td>.068</td>
<td>.112</td>
<td>.798</td>
<td>.429</td>
<td>.975</td>
</tr>
</tbody>
</table>

a. Dependent Variable: ROE

**Table 2. Multicollinearity Test**
Source: SPSS 16 Data Processing Results

From Table 2 the Multicollinearity Test can be seen that the tolerance figure on Debt to Equity Ratio and Loan to Deposit Ratio is 0.975 and the VIF is 1.025. Because the tolerance value is greater than 0.1 and the VIF value is smaller than 10. This shows that there is no multicollinearity between the research variables.

Heterocedasticity test is used to test whether in the regression model, there is an inequality of residual variance from observations to other observations. The basis of decision making is that if certain patterns such as dots (points) exist form a certain pattern that is regular, then heterokesdatisitas occur. If there is no clear pattern, and the points spread below and above number 0 on the Y axis there is no heterokesdatisitas. A good model is when there is no heterokesdatisitas.

**Picture 2. Heterocedasticity test**
From picture 2 above shows the points spread randomly, does not show a clear or regular pattern, and spread both above and below the number 0 on the Y axis. Thus "heterokesdatisitas does not occur" in the regression model used in this study.

**Analysis of Multiple Linear Regression**

Regression analysis aims to predict the value of the dependent variable due to the influence of independent variables (Juliandi et al., 2015).

**Table 3. Results of Multiple Linear Regression Tests**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>.034</td>
<td>.060</td>
</tr>
<tr>
<td>DER</td>
<td>.002</td>
<td>.004</td>
</tr>
<tr>
<td>LDR</td>
<td>.055</td>
<td>.068</td>
</tr>
</tbody>
</table>

Source: SPSS 16 Data Processing Results

Based on table 3 shows the multiple linear regression equation models that can be formulated are as follows: $Y = 0.34 + 0.002X_1 + 0.055X_2$. The constant value ($\alpha$) is 0.034 with the direction of the positive relationship, which indicates that if the value of Debt to Equity Ratio ($X_1$), Loan to Deposit Ratio ($X_2$), is constant, then the value of Return On Equity ($Y$) will increase by 0.034. The value of Debt to Equity Ratio ($X_1$) is 0.002 with a positive relationship direction, indicating that each increase in Debt to Equity Ratio ($X_1$) is 1, it will be followed by an increase in Return On Equity ($Y$) of 0.002 assuming other variables are considered constant. The Loan to Deposit Ratio ($X_2$) is 0.055 with a positive relationship direction, indicating that every increase in Loan to Deposit Ratio ($X_2$) is 1, it will be followed by an increase in Return On Equity ($Y$) of 0.055 assuming other independent variables are considered constant.

**Hypothesis Test**

The t test is used to find out whether each independent variable (X) partially has a significant influence or not on the dependent variable (Y).

**Table 4. Partial Test Results (t test)**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>.034</td>
<td>.060</td>
</tr>
<tr>
<td>DER</td>
<td>.002</td>
<td>.004</td>
</tr>
<tr>
<td>LDR</td>
<td>.055</td>
<td>.068</td>
</tr>
</tbody>
</table>

Source: SPSS 16 Data Processing Results
Based on table 4, it can be seen the acquisition value of the debt to equity ratio variable for the t test criteria is carried out at the level of $\alpha = 5\%$ with the value $t_{\text{table}}$ for $n = 54 - 2 - 1 = 51$ which is 2.008 and for $t_{\text{count}} = 0.407$. Thus the result has a significant value of $0.686 > 0.05$, and the value of $t_{\text{table}}$ is 2.008, where $-2.008 \leq 0.407 \leq 2.008$ means that $H_0$ is accepted and $H_a$ is rejected. This shows that partially the debt to equity ratio has an effect but not significant to return on equity.

Furthermore the value of $t_{\text{count}}$ for the loan to deposit ratio variable is 0.798 and the value of $t_{\text{table}}$ for $n = 54 - 2 - 1 = 51$ is equal to 2.008. Thus the result has a significant value of $0.429 > 0.05$ and the value of $t_{\text{count}}$ is 0.798 while the value of $t_{\text{table}}$ is equal to 2.008. Where $-2.008 \leq 0.798 < 2.008$ means that $H_0$ is accepted and $H_a$ is rejected. This shows that partially the loan to deposit ratio has an effect but not significant to return on equity.

The F test is basically used to show whether the independent variables together have an influence on the dependent variable. The F test results can be seen from the following table:

### Table 5. Simultaneous Results (Test F)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>.002</td>
<td>2</td>
<td>.001</td>
<td>.463</td>
<td>.632</td>
</tr>
<tr>
<td>Residual</td>
<td>.134</td>
<td>51</td>
<td>.003</td>
<td>.332</td>
<td>.051</td>
</tr>
<tr>
<td>Total</td>
<td>.136</td>
<td>53</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), LDR, DER
b. Dependent Variable: ROE

Source: SPSS 16 Data Processing Results

Based on Anova (Analysis of Variance) in table 5 above, the value of $F_{\text{count}} = 0.463 < F_{\text{table}} = 4.030$ with a significant value of $0.632 > 0.05$ is obtained, then $H_0$ is accepted, this indicates that the debt to equity ratio and loan to deposit ratio simultaneously influence but not significant to return on equity in Banking Companies Listed on the Indonesia Stock Exchange 2015-2017.

After searching the F test, then looking at the coefficient of determination of R-square and the coefficient of determination used to see the extent to which the independent variables $X_1$ (Debt to Equity Ratio) and $X_2$ (Loan to Deposit Ratio) can explain the dependent variable $Y$ (Return On Equity). The following is a table to find out the R-square value in this study:

### Table 6. Test Results of The Coefficient of Determination

<table>
<thead>
<tr>
<th>Model Summary^a</th>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>.134^a</td>
<td>.018</td>
<td>-.021</td>
<td>.05120</td>
<td>.676</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), LDR, DER
b. Dependent Variable: ROE

Source: SPSS 16 Data Processing Results
Based on table 6 above the overall regression analysis results show R of 0.134. This means there is a correlation or relationship of return on equity (dependent variable) with a debt to equity ratio and loan to deposit ratio (independent variable) and has a Rsquare value of 0.018 indicating that the relationship of debt to equity ratio and loan to deposit ratio has a relationship level very low.

Discussion
Effect of Debt to Equity Ratio on Return On Equity

Partial test results Effect of Debt to Equity Ratio (X1) on Return On Equity (Y) in Banking Companies listed on the Indonesia Stock Exchange for the period 2015-2017 regarding partial test results, obtained has a significant value of 0.686 > 0.05, and the value of t_table is 2.008, where -2.008 ≤ 0.407 ≤ 2.008 means that H_0 is accepted and H_a is rejected. This shows that partially the debt to equity ratio has an effect but not significant to return on equity.

This is because if this ratio is too high it will increase debt to the company. With the increase in Debt to Equity Ratio, the Return On Equity has decreased. In other words, the higher the Debt to Equity Ratio means the higher the interest expense which means it can reduce the company's profits.

To make the value of Debt to Equity Ratio have a significant effect on Return On Equity, the company must reduce the total amount of debt, both short-term debt and long-term debt. If the total debt decreases, the company has a better influence because the company can cover all its obligations with the capital owned by the company. If the company has reduced its debt, the company does not need to guarantee the operating profit earned to pay the debt, so that the profits obtained will increase. If profits increase directly Return on Equity will also increase.

The results of this study are the same as the research conducted by Julita (2012) showing that the Debt to Equity Ratio has an effect but not significant to Return On Equity.

While the results of research conducted by researchers are not in line with other studies conducted by Pongrangga et al (2015), showing that the Debt to Equity Ratio has an influence and is significant on Return On Equity.

Effect of Loan to Deposit Ratio on Return On Equity

The partial results of the Loan to Deposit Ratio (X2) test on Return On Equity (Y) in Banking Companies listed in the Indonesian Stock Exchange in 2015-2017 regarding the results of the partial test have a significant value of 0.429> 0.05 and the value of t_count is 0.798 while the value of t_table is equal to 2008. Where -2.008 ≤ 0.798 < 2,008 means that H_0 is accepted and H_a is rejected. This shows that partially the loan to deposit ratio has an effect but not significant to return on equity.

This is because the higher the level of liquidity means the more money is idle because marketing is not optimal and finally the bank cannot maximize its profits. The smaller the third party funds collected from the community, the smaller the opportunity to get returns from these uses. This condition illustrates that banking performance is less efficient, so it cannot maximize the value of income from funds lent to the community.

To make the Loan to Deposit Ratio a significant effect on Return On Equity, the company must reduce its level of liquidity by relying on credit provided with third party funds collected by the bank. Because low liquidity will cause high profits. If the Loan to Deposit Ratio is high, the bank's liquidity is low and the possibility of gaining
profit from credit expansion will be even greater, where the more third party funds can be collected from the community, the greater the chance to get the return and automatically the capital issued does not cover losses to the company so that the Return On Equity will be higher.

The results of this study are in line with the results of research by Damayanti and Savitri (2012) which states that it has an influence but is not significant in the Loan to Deposit Ratio on Return On Equity. And in line with previous research conducted by Hermina and Suprianto (2014) which explains that the Loan to Deposit Ratio has an effect but is not significant to Return On Equity.

While the results of research conducted by researchers are not in line with the research conducted by Liviawati et al (2018), indicating that the Loan to Deposit Ratio has an influence and is significant on Return On Equity.

**Effect of Debt to Equity Ratio and Loan to Deposit Ratio on Return On Equity**

Based on the results of testing together or F test, the effect of Debt to Equity Ratio and Loan to Deposit Ratio on Return On Equity obtained a value of $F_{\text{count}}=0.463 < F_{\text{table}}=4.030$ with a significant value of $0.632 > 0.05$, then $H_0$ is accepted, this indicates that the debt to equity ratio and loan to deposit ratio simultaneously influence but not significant to return on equity.

Where if the Debt to Equity Ratio and Loan to Deposit Ratio are not balanced it means that large debt will affect the capital of the company so that it earns a small profit and finally can not channel credit to finance the withdrawal of funds by the depositor will result in small profits with Return On Equity.

The results of this hypothesis testing are in line with the results of previous research conducted by Pasaribu, et al (2014) explaining that there is a relationship between negative Debt to Equity Ratio and Loan to Deposit Ratio to Return On Equity. Because the high debt to the company shows that the bank's solvency is lower which will affect the capital of the company so that finally it is unable to channel credit to finance the withdrawal of funds by the depositor, resulting in a small profit with Return On Equity.

While the results of research conducted by researchers are not in line with other studies conducted by Ali (2015), showing that Debt to Equity Ratio and Loan to Deposit Ratio have an influence and are significant on Return On Equity. And previous research conducted by Pasaribu et al (2014), which states that Debt to Equity Ratio and Loan to Deposit Ratio have an influence and are significant to Return On Equity.

**CONCLUSIONS AND SUGGESTION**

**Conclusions**

1) Partially Debt to Equity Ratio does not have a significant effect on Return On Equity in Banking Companies listed on the Indonesia Stock Exchange in 2015-2017, meaning that if the Debt to Equity Ratio ratio is too high it will increase debt to the company, resulting in greater burden company. The amount of debt burden borne by the company can reduce the amount of profits received by the company.

2) Partially the Loan to Deposit Ratio does not have a significant effect on Return On Equity in Banking Companies listed on the Indonesia Stock Exchange in 2015-2017, meaning that the smaller the amount of third party funds channeled in the form of credit (Loan to Deposit Ratio) will reduce profit level.

3) Simultaneously Debt to Equity Ratio and Loan to Deposit Ratio together do not have a significant effect on Return On Equity in Banking Companies listed on the Indonesia Stock Exchange in 2015-2017, meaning if the
amount of debt is high and the amount of third party funds channeled in the form of credit (Loan to Deposit Ratio) the value is low so it will reduce the amount of profit (Return On Equity).

**Suggestion**
1) Although in the title of Return On Equity in Banking Companies listed on the Indonesia Stock Exchange, it can be said to be healthy, but banks should pay attention to the development of ROE in each year and still have to maintain and increase the title of ROE. 2) Debt to Equity Ratio in Banking Companies listed on the Indonesia Stock Exchange is said to be healthy, but banks must also pay attention to company debts in order to reduce losses due to bank inefficiencies in managing their business. 3) The value of the Loan to Deposit Ratio for Banking Companies listed on the Indonesia Stock Exchange is in the healthy position, but banks still have to pay attention to and control the amount of loans funded by third party funds issued to remain at the safe LDR limit.

**REFERENCE**


