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Original Article

Role of BASEL III: Impact of Liquidity Coverage, Net Stable Funding, Leverage and Cost of Fund to Financial Performance

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Abstract: *The difficulties that practically all nations are having with Basel III readiness go beyond simple comprehension and knowledge. Fund risk and liquidity risk are associated in a Basel III phenomena. Basel III is a modification of Basel II that includes measures to stop a banking crisis from happening. All banks must meet this ratio's requirements under the new Basel III if they engage in international banking operations. This study intends to examine how leverage, net stable funding ratio, liquidity coverage ratio, and cost of funds impact return on assets. The subjects of this study were banking institutions in Singapore, Malaysia, and Indonesia. Purposive sampling was used in the sampling process, and multiple regression analysis was performed to analyse the data. The findings of this study indicate that while net stable funding ratio and cost of fund variables have substantial effects on return on asset, liquidity coverage ratio and leverage have no significant influence.*

Keywords: *BASEL III; Liquidity Coverage; Net Stable Funding; Leverage and Cost of Fund.*

I. INTRODUCTION

The way to judge whether a bank is good or not is to look at its financial performance. When attempting to forecast future financial success, a company's past financial situation, financial data, and performance are taken into consideration. The profitability ratio is the ratio used to assess the financial performance of banks (Deyby Kansil, Sri Murni, and Joy Elly Tulung, 2017). According to Jumingan (2014: 239), a bank's financial performance is a description of the bank's financial health over a specific time period, including how well it was able to raise money and allocate it. These factors are often gauged using metrics of capital sufficiency, liquidity, and bank profitability. The financial or operational performance of a bank is a sign of how healthy it is; hence, the health of the bank is decided by its own performance. The potential of the capital invested in all assets to generate profits is demonstrated by the ratio known as return on assets. In other words, this ratio is used to describe the productivity of the bank concerned (a large amount of wealth that must be collected and used to generate a certain amount of profit). The amount of the ROA ratio is obtained by dividing all profits earned by the bank (before tax) by the total assets of the bank.

Fund risk and liquidity risk are associated in a Basel III phenomena. Basel III is a modification of Basel II that includes measures to stop a banking crisis from happening. All banks must meet this ratio's requirements under the new Basel III if they engage in international banking operations. LCR criteria must be met by banks by 2015, and NSFR standards must be met by banks by 2018 (Said, 2018). Basel III, which addresses capital and liquidity, will be fully implemented in 2019. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are two methods used to evaluate liquidity management under Basel III rules. In other words, NSFR regulates long-term liquidity flows, while LCR regulates short-term liquidity flows. Additionally, in order to comply with the principles of liquidity risk management, banks must raise high-quality liquid assets and acquire solid sources of funding under LCR and NSFR.

The problems that almost all countries are experiencing in preparation for the implementation of Basel III are not just understanding and knowledge. The problem that is still difficult to do immediately is integrating financial data. Several studies indicate that so far the availability of data and its use are still very specific, where the data provided for reporting is based on specific needs, such as data relating to Market Risk, Finance and Credit Risk. The data that has been available so far is estimated to be inadequate. Apart from not yet being integrated, quality, credibility and accuracy still need to be improved. Compared to other countries, such as in the ASEAN region, the classification of national banking individual data integration is still lagging behind. In fact, doing data integration has always been and continues to be done. With the learning so far, one day this data integration will be realized. This study intends to examine how variables such as leverage, cost of capital, liquidity coverage ratio, and net stable funding ratio affect return on assets.

II. THEORETICAL FRAMEWORK

A) Previous Research

a. Giordana Gaston A. And Schumacher Ingmar (2017)

This investigation aims to determine how Basel III regulations, namely the Capital-to-Assets Ratio (CAR), the Net Stable Funding Ratio (NSFR), and the Liquidity Coverage Ratio (LCR), are likely to influence bank profitability (ROA), capital levels, and defaults. In this study, ROA serves as the dependent variable, and CAR, Net Stable Funding Ratio (NSFR), and Liquidity Coverage Ratio (LCR) serve as the independent variables. Lexembourg banks from 2003 to 2011 served as the study's sample population. Multiple linear regression analysis is the method of data analysis employed in this investigation. According to the study's findings, ROA is significantly influenced by CAR, Net Stable Funding Ratio (NSFR), and Liquidity Coverage Ratio (LCR).

b. Psillaki Maria, Georgoulea Eleftheria (2016)

This study aims to investigate the function and influence of variable liquidity and leverage on profitability ratios (ROA). The profitability ratio (ROA), which is the dependent variable in this study, is the variable in use. While liquidity and leverage (LCR, NSFR) are the used independent variables. The Bank scope database, which includes samples from 19 commercial banks and cooperatives, covers the years 2004 through 2013. Regression analysis was the method utilised in this study to analyse data. The results of research conducted by Psillaki Maria, Georgoulea Eleftheria (2016) show that LCR and NSFR are not related to ROA, while cost of fund is significantly related to ROA.

B) Return on Assets (ROA)

Profitability analysis, according to Harmono (2009, p. 109), depicts the company's core performance in terms of the degree of efficiency and effectiveness of the operations in generating profits. The components of the profitability idea can be used to explain how well a company's management functions. Formula for profitability (ROA):

$$\text{ROA} = \frac{\text{Net Income After Tax}}{\text{Total Asset}} \text{ x } 100\%$$

C) Liquidity Coverage Ratio (LCR)

In a stress scenario, the High Quality Liquid Assets (HQLA) and the total Net Cash Outflow for the upcoming 30 (thirty) days are compared to determine the Liquidity Coverage Ratio (LCR). In a stress scenario, HQLA is cash and financial assets that can be quickly converted into cash with little to no loss in value in order to meet the bank's liquidity demands for the upcoming 30 (thirty) day period. In a stress scenario, the anticipated total cash outflow less the anticipated total cash inflow for the following 30 (thirty) days is known as the net cash outflow (Financial Services Authority Regulation Number 42/POJK.03 /2015).

The formula for the liquidity coverage ratio is as follows:

$$\text{LCR} = \frac{\text{High Quality Liquid Asset (HQLA)}}{\text{Net Cash Outflow}}$$

D) Net Stable Funding Ratio (NSFR)

The Net Stable funding Ratio (NSFR) compares the required stable funding (RSF) to the required stable funding that is already available (available stable funding, or ASF). ASF is a consistent sum of liabilities and equity for a duration of 1 (one) year to fund the activities of the Bank. The RSF is the quantity of assets and administrative account transactions that require stable fund funding. OJK mandates a minimum ratio of 100% (Financial Services Authority Regulation Number 50/POJK.03/2017).
The formula for Net Stable Funding Ratio is as follows:

$$\text{NSFR} = \frac{\text{Available Stable Funding (ASF)}}{\text{Required Stable Funding (RSF)}}$$

E) Leverage

Leverage ratio is a statistic used to assess a bank's capacity to meet commitments and settle both short-term and long-term debt. In other words, the leverage ratio is a representation of the debt level of a company or bank that has been issued. The aim of the leverage ratio is to see the value of banking assets financed by debt. Assessing the ability of banks to meet fixed obligations, such as loan installments. Knowing the balance between the bank's assets and capital as well as the total amount of loans that will mature in the near future.
The formula for leverage ratio is as follows:

$$\text{Leverage} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

F) Cost of Fund

The overall interest expenses incurred by banks to obtain cash for deposits in the form of demand deposits, savings deposits, and time deposits are known as the cost of funds. The large cost of bank funds will affect bank operational costs, therefore banks will tend to choose low-cost funding from the public. Cheap funding costs for banks are customer savings accounts and current accounts. This can be seen from the relatively low interest rates on savings accounts and the relatively small interest on demand deposits. Cost of fund formula is as follows:

$$\text{CoF} = \frac{\text{Interest Expense}}{\text{Third Parties Fund}}$$

III. RESEARCH METHODS

Secondary data from the stock markets in each nation are used in this study. Southeast Asian banking companies were the study's population for the years 2018–2019. There were banks from Indonesia, Malaysia, Singapore and combined bank from Southeast Asia. The sampling technique used purposive sampling. By choosing samples based on a number of factors that the researcher had established, purposeful sampling was applied. The total sample obtained was 232 data in Southeast Asia. The complete sample was then checked for normalcy, and 13 data were eliminated since outliers had identified them, leaving 219 data in the final sample for this study. Descriptive analysis, the traditional assumption test, multiple linear regression analysis, and hypothesis testing were all used in the tests. The SPSS 23.0 for Windows programme was used to conduct the exam.

IV. RESULTS AND DISCUSSION

In a stress scenario, the Liquidity Coverage Ratio (LCR) compares high quality liquid assets and net cash outflows over the upcoming 30 days. This study uses the LCR ratio because it assesses a bank's capacity to supply adequate liquidity in advance of an economic crisis. According to the Liquidity Coverage Ratio (LCR) value, Bank Mandiri had a maximum LCR value of 2513.3119 in 2018. This shows that companies with the maximum LCR value are able to overcome the economic crisis due to the provisions that have a minimum LCR of 100%. The minimum LCR value is -4261.2817 owned by Krung Thai Bank Public Company Ltd in 2019, indicating that companies that have a minimum LCR value are unable to overcome the economic crisis that occurs so that they cannot gain profits in overcoming their liquidity. The average LCR value of the research sample is -8.3281417. The results of the descriptive analysis above are said to be healthy or good because they can overcome the economic crisis that has occurred. The research's data have a standard deviation of 339.7114116. The results are not excellent since the standard deviation is a reflection of a very high deviation, causing the distribution of the data to display results that are biassed and out of the norm because it is higher than the average value.

The Net Stable Funding Ratio (NSFR) compares the amount of required and available stable funding. The NSFR ratio is utilised in this study since it assesses a bank's capacity to secure consistent funding in order to generate the anticipated profit. In 2018, Rizal Commercial Banking Corporation's Net Stable Funding Ratio (NSFR) score was .5713. This shows that companies with the maximum NSFR value are able to obtain stable funding in overcoming the economic crisis that occurred . The minimum NSFR value of .4366 was owned by Krung Thai Bank Public Company Ltd in 2019, indicating that companies that have a minimum NSFR value are unable to obtain stable funding in overcoming the economic crisis because the NSFR requirement is at least 100%. The average NSFR value of the research sample is 0.411734. The results of the aforementioned descriptive study can be deemed unfavourable because banks are unable to secure consistent funding in order to turn a profit in the face of the current economic crisis. The research data's standard deviation is .0112726. Because the standard deviation is a reflection of a very high deviation and the distribution of the data displays normal results without bias, the standard deviation value is lower than the average value, leading to the conclusion that the results are fairly good.

Leverage is a ratio that is used to assess a bank's capacity to meet commitments and settle both short-term and long-term debt. In other words, the leverage ratio is a picture of how much debt a bank or firm has taken on. Total debt divided by total equity yields leverage. The higher this ratio, the more debt banks have. This ratio increases as overall debt increases, increasing the amount that must be repaid from bank equity. As a result, there is less chance of a bank experiencing financial problems. The ratio of average interest-earning assets divided by interest income less interest expenses is known as leverage. The leverage value shows that the maximum leverage value was .1611 owned by the Krung Thai Bank Public Company Ltd in 2018, while the minimum leverage value was 0.0172 owned by Hong Leong Bank in 2019. Overall average value (mean) of leverage in the 2018-2019 period, namely .043917 with an overall standard deviation of .0202039. The results are good since the standard deviation is a reflection of a very high deviation, which means that the distribution of the data shows normal results and does not introduce bias. As a result, the standard deviation value is lower than the average value.

Table 1. t –Test Southeast Asia

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
	(Constant)	.005	.001		4.237	.000
	LCR	1.209E-06	.000	.069	1.714	.762
	NSFR	.005	.001	.257	7.128	.000
	Leverage	3.119E-04	.000	.021	.613	.159
	CoF	.000	.000	-.129	-3.528	.000
a. Dependent Variable: ROA						

Source: SPSS Output Results, 2023

Based on Table 1, which gives the findings of the four independent variables, the results of the t test can be explained as follows:

LCR based on calculations obtained t value of 1.714 with a significance level of 0.762. This value is more than 0.05, then H_{01} is accepted and H_{a1} is rejected. Thus it can be concluded that LCR (X1) has no effect on ROA. NSFR based on the calculation obtained t value of 7.128 with a significance level of 0.000. This value is less than 0.05, then H_{02} is rejected and H_{a2} is accepted. Thus it can be concluded that NSFR (X2) has an effect on ROA. Leverage based on calculations obtained t value of 0.659 with a significance level of 0.167. This value is more than 0.05, then H_{03} is accepted and H_{a3} is rejected. Thus it can be concluded that Leverage (X3) has no effect on ROA Cost of Fund (CoF) based on calculations obtained t value of -3.528 with a significance level of 0.000. This value is less than 0.05, then H_{04} is rejected and Ha4 is accepted. Thus it can be concluded that CoF (X4) has an effect on ROA.

The findings of this study's multiple linear regression analysis, which included banks from Indonesia, demonstrate that LCR and leverage significantly effect return on assets, although NSR and COF are unaffected. Banks in Malaysia have informed NSFR and Leverage have significant effected to return on assets but LCR and CoF not affected. Banks in Singapore show that the significance results affected to return on assets were LCR and NSFR but Leverage and CoF not affected to return on assets. Banks in Southeast Asia show that NSFR and CoF have significant effect to return on assets, but LCR and Leverage not affected.

Table 2. Recapitulation of t-Test Results

No.	Countries	LCR (H_1)	NSFR (H_2)	Leverage (H_3)	CoF (H_4)
1	Indonesia	Affected	Not affected	Affected	Not affected
2	Malaysia	Not affected	Affected	Affected	Not affected
3	Singapore	Affected	Affected	Not affected	Not affected
4	Southeast Asia	Not affected	Affected	Not affected	Affected

Source: SPSS Output Results, 2023

A) Discussion

This study attempts to investigate the relationship between leverage, cost of capital, net stable funding ratio (NSFR), liquidity coverage ratio (LCR), and return on assets (ROA). Tests for this study were carried out between 2018 and 2019 on Southeast Asian banking sector businesses. 219 data total from the sample that satisfied the requirements were used as research samples in this study. The test for the coefficient of determination for Indonesia yielded a result of 38.2%, meaning that variations in the four independent variables LCR, NSFR, Leverage, and cost of fund can account for the variation in ROA, while the remaining 61.8% can be explained by variables or models other than the independent variables under consideration. With a coefficient of determination test result of 40.6%, Malaysia's ROA variation can be explained by changes in the four independent variables LCR, NSFR, Leverage, and cost of fund, while the remaining 59.4% is explained by additional variables or models not included in the independent variables under investigation. With a coefficient of determination test result of 70.1%, Singapore's ROA variation can be explained by changes in the four independent variables LCR, NSFR, Leverage, and

cost of fund, with the remaining 29.9% of the variation being explained by other variables or models besides those not included in the independent variables under study.

The Malaysian economy has a coefficient of determination test result of 12.5%; the ROA variation can be explained by variations in the four independent variables LCR, NSFR, Leverage, and cost of fund, while the remaining 87.5% is explained by other variables or other models other than the independent variables studied. With a coefficient of determination test result of 75.4%, Singapore's ROA variation can be explained by changes in the four independent variables studied LCR, NSFR, Leverage, and cost of fund while the remaining 24.6% is explained by other variables or models. With a coefficient of determination test result of 20.1%, Indonesia's ROA variation can be explained by changes in the four independent variables LCR, NSFR, Leverage, and cost of fund, with the remaining 79.9% of the variation being explained by other variables or other models not included in the independent variables under investigation. The results of the coefficient of determination test show that Southeast Asia has a coefficient of determination of 10%. The variation in ROA can be explained by variations in the four independent variables LCR, NSFR, Leverage, and cost of fund, while the remaining 90% is explained by additional variables or other models not included in the independent variables under study. Based on the F statistical test, results were obtained in Indonesia, Malaysia, Singapore, and Southeast Asia with a significance value of less than 0.05 (0.000 < 0.05), indicating that the regression model is appropriate and suitable for future testing. Thus, it can be said that the six Southeast Asian nations surveyed contain data that is appropriate for use in future research.

Based on the t statistical test also carried out in this study, and the results in banks in Indonesia show that LCR and Leverage have significant affected to return on assets, but NSR and Cof not affected. Banks in Malaysia have informed NSFR and Leverage have significant effected to return on assets but LCR and CoF not affected. Banks in Singapore show that the significance results affected to return on assets were LCR and NSFR but Leverage and CoF not affected to return on assets. Banks in Southeast Asia show that NSFR and CoF have significant effect to return on assets, but LCR and Leverage not affected. Further discussion regarding the test results can be described as follows:

a. Effect of Liquidity Coverage Ratio (LCR) on Financial Performance (ROA)

High Quality Liquid Assets (HQLA) and the total net cash outflow for the upcoming 30 (thirty) days are compared using the liquidity coverage ratio (LCR) (Financial Services Authority Regulation Number 42/POJK.03/ 2015). The minimum ratio value required by this standard is 100%, and banks are expected to consistently satisfy this criterion. The goal is to make the bank resilient to shocks that could impair its profits. In order to emphasise that a bank has enough high-quality liquid assets on hand to cover its short-term liquidity demands for 30 days, LCR is utilised (Said, 2018).

Based on the findings of hypothesis testing in Singapore and Indonesia, it can be concluded that since the LCR significance value is less than 0.05, the results of the t statistical test on the LCR ratio have no impact on financial performance (ROA). so that LCR have effect on financial performance (ROA) meaning that banks fulfill their obligations in a timely manner due to a lack of sufficient liquidity and banks are unable to overcome the economic crisis that occurs so that they cannot gain profits due to poor financial performance. However, there are several countries, such as Malaysia and Southeast Asia which have LCR significance values higher than 0.05 so that they can not affect to financial performance.

When the LCR ratio is low, the bank is unable to meet its obligations on time, which is the relationship between the LCR ratio and financial performance (ROA). Customers should spend their capital, at the very least, to provide enough liquidity, as the bank's financial performance is not acceptable. However, if more and more customers are obtained by the bank, the bank can fulfill its liquidity adequacy, so that it will generate profits that can be used in anticipating an economic crisis. This shows that LCR has no effect on financial performance (ROA) because banks do not gain profits to sufficient liquidity.

based on the theory employed in this work, signal theory. When it comes to firm performance data, signal theory itself might offer information in the form of positive or negative signals. Having information in the form of a strong signal can help investors invest their money. Investors will lose interest in the company, though, if the information is a poor indicator. The results of evaluating the LCR hypothesis, which show that LCR has no impact on financial performance (ROA), do not support this notion. This is because during an economic crisis this ratio can be used if the bank obtains customers to provide sufficient liquidity so that it can generate the expected profit. The findings of this study are consistent with those of Maria Psillaki and Eleftheria Georgoulea (2016) study, which found no relationship between LCR and financial performance (ROA). The findings of this study contradict those of Giordana Gaston A. and Schumacher Ingmar's (2017) study, which found that LCR affects financial performance (ROA).

b. Effect of Net Stable Funding Ratio (NSFR) on Financial Performance (ROA)

The Net Stable funding Ratio (NSFR) compares the required stable funding (RSF) to the required stable funding that is already available (available stable funding, or ASF). ASF is a consistent sum of liabilities and equity for a duration of 1

(one) year to fund the activities of the Bank. The RSF is the quantity of assets and administrative account transactions that require stable fund funding. OJK stipulates a minimum ratio of 100%. This guideline also stipulates that, during the evaluation period, the NSFR ratio must have adequately steady funding in accordance with medium- and long-term loans (Financial Services Authority Regulation Number 50/POJK.03/2017).

Based on the findings of hypothesis testing in Malaysia, Singapore, and Southeast Asia, it can be concluded that because the NSFR significant value is less than 0.05, the results of the t statistical test on the NSFR ratio have an impact on financial performance (ROA). Since NSFR has an impact on ROA, banks are able to get steady funding to get through the economic downturn, increasing predicted earnings and displaying strong bank financial performance. However, banks in Indonesia which has a significant NSFR value of more than 0.05 so that it cannot affect to financial performance (ROA). Which can be interpreted that banks cannot obtain stable funding to provide sufficient liquidity in the medium or long term.

According to the association between the NSFR ratio and financial performance (ROA), a bank's earnings can rise if it obtains consistent funding from outside sources. This demonstrates how NSFR affects financial performance (ROA) in Malaysia, Singapore, and Southeast Asia due to banks' ability to get steady capital to provide liquidity over the medium and long term. The ability of the bank to secure reliable funding in order to boost bank profitability is directly correlated with the bank's NSFR ratio. The NSFR ratios in Indonesia shows results that do not affect financial performance (ROA), so if the NSFR ratio is small it indicates that the NSFR ratio does not receive stable funding from third parties so that the profit is earned by the bank increases. small or the bank is likely to suffer losses. The NSFR ratio has a very influential relationship with financial performance (ROA) to obtain stable profits and funding from third parties in sufficient liquidity.

According to the theory used in this study, namely signal theory can provide relevant information to outsiders of the company. This information is in the form of an annual financial report that shows funding is getting better or worse. If the release of this information is regarded as a positive signal, investors will be motivated to trade shares, which will cause the market to reacted and affect the volume of stock trading (Suwardjono, 2010). Investors, however, lose interest in the company if the information provides a bad indicator. As a result, Malaysia, Singapore, and Southeast Asia claim that the signal theory is consistent with the study's findings, which demonstrate that a high NSFR ratio denotes a positive signal because it affects financial performance (ROA), which enables banks to secure stable funding from third parties. to make the anticipated profit, third.

Because the results of the hypothesis testing indicate that the NSFR ratios have no effect on financial performance (ROA), the signal theory cannot be supported by research conducted in Indonesia. Due to a lack of money collected by banks from third parties, banks are unable to generate the anticipated profit necessary to meet their liquidity needs over the long and medium term. The study's findings concur with those of Maria Psillaki and Eleftheria Georgoulea (2016), who found that NSFR has no impact on financial performance (ROA). According to research by Giordana Gaston A. and Schumacher Ingmar (2017) and Said Rasidah Mohd (2014), NSFR has an impact on financial performance (ROA). The findings of this study are inversely proportionate to those studies.

c. Effect of Leverage on Financial Performance (ROA)

The leverage shows leverage ratio is a ratio used to assess a bank's capacity to meet commitments and settle short- and long-term debt. In other words, the leverage ratio is a picture of how much debt a bank or firm has taken on. Leverage ratios are used to determine how much debt is being used to finance the value of banking assets. evaluating the banks' capacity to fulfil fixed obligations like loan installments. Based on the results of hypothesis testing in Indonesia and Malaysia, it can be concluded that because the leverage significance value is less than 0.05, the results of the statistical test on the leverage ratio have an impact on financial performance (ROA). This means that a bank can fulfil its obligations or settle its debts.

Leverage ratio and financial performance (ROA) are correlated in that a bank is more likely to be in trouble if its leverage ratio is high relative to the amount of debt it manages. The ratio of the bank's total debt to its total equity is displayed as leverage. This ratio demonstrates the bank's capacity for both short- and long-term debt repayment. Leverage demonstrates that the danger of debt default increases with increasing leverage. The aim of the leverage ratio is to see the value of banking assets financed by debt. Assessing the ability of banks to meet fixed obligations, such as loan installments. Knowing the total loan capital that will mature in the short term and knowing the balance between the bank's assets and the bank's capital.

The theory employed in this study, termed signal theory, states that outsiders to the company can obtain pertinent information from it. This information, which comes in the form of an annual financial report, demonstrates how well or poorly the bank's management is able to earn interest on its productive assets. If the release of this information is viewed as

a positive indication, investors will be motivated to invest, increasing the turnover of the bank's productive assets and reducing the likelihood that the institution will experience financial difficulties. Investors will lose interest in the banking company if the information provides a bad indicator, though. As a result, it was declared in Indonesia and Malaysia that the signal theory is consistent with the findings of this study, which demonstrate that a low leverage ratio value denotes a positive signal. This is because the leverage ratio affects financial performance (ROA), allowing banks to reduce their operating expenses in order to generate the anticipated profit. The study's findings concur with those of Usman Harun (2016), who found that leverage has no impact on financial performance (ROA). According to research by Wildan Farhat Pinansti, RR. Indah Mustikawati, Erna Sudarmawati, and Joko Pramono (2017), leverage has an impact on financial performance (ROA), which is in direct opposition to the findings of this study.

d. Effect of Cost of Fund (CoF) on Financial Performance (ROA)

Cost of Fund (CoF) will have an impact on the company's level of ROA attainment. The source of funds originating from loans or debt will be more successful at creating profits (raising Return on Assets) if the costs incurred by the loan (cost of debt) are lower than the cost of equity, and vice versa (Brigham and Houston, 2009:98). According to the Pecking Order Theory, businesses with increasing earnings have profitable chances to fund their investments internally, preventing them from drawing outside capital and allowing them to focus on finding the best solutions for debt-related issues. Debt has a detrimental effect on a company's performance since it increases interest costs, which lowers earnings as debt levels rise. The more the company's dependence on third parties, as indicated by a higher CoF, the lower its performance is expected to be. So the influence between CoF and ROA is negative.

Based on the findings of hypothesis testing conducted in Indonesia, Malaysia, and Singapore, it can be concluded that the cost of funds ratio's results in the t statistical test have no bearing on financial performance (ROA), as the cost of funds' significance value is less than 0.05. Because the cost of borrowing has an impact on financial performance (ROA), a bank's debt level has a greater impact on ROA and can consequently have a negative impact on financial performance.

The theory employed in this study, termed signal theory, states that outsiders to the company can obtain pertinent information from it. An annual financial report that contains this information demonstrates the bank's handling of its debts, in both positive and poor ways. If the release of this information is regarded as a positive signal, investors will be motivated to make investments. As a result, banks can raise money from investors and engage in a significant amount of money-turning activity to generate profits. Investors will lose interest, though, if the information is a poor omen. As a result, it is asserted in Southeast Asian nations that the signal hypothesis is consistent with the data from the studies. Research in Indonesia, Malaysia, and Singapore does not support the signal theory since the ratio cost of fund has no bearing on financial performance (ROA), according to the results of hypothesis testing. The research results are in line with research conducted by Junaedi (2015) which states that cost of fund has no effect on financial performance (ROA). The results of this study are inversely proportional to research conducted by Nur, Rina, et al (2016), Psillaki and Georgoulea (2016) and Nyoman and Gede (2015) which state that cost of fund affects financial performance (ROA).

V. CONCLUSION

By utilising proximate profitability ratios like Return on Assets (ROA), this study seeks to ascertain the impact of Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), Net Leverage, and Cost of Fund in banking sector enterprises in Southeast Asia in 2018–2019. The results of multiple linear regression analysis of all countries in Southeast Asia in this study which include banks in Indonesia show that LCR and Leverage have significant affected to return on assets, but NSR and Cof not affected. Banks in Malaysia have informed NSFR and Leverage have significant effected to return on assets but LCR and CoF not affected. Banks in Singapore show that the significance results affected to return on assets were LCR and NSFR but Leverage and CoF not affected to return on assets. Banks in Southeast Asia show that NSFR and CoF have significant effect to return on assets, but LCR and Leverage not affected. The research that has been carried out still has shortcomings and is still far from perfection and the obstacles that arise make these things the limitations of the research. Many annual reports are not written in foreign languages, which prevents researchers from reading them and causes data to be lost. This study has outliers to obtain normally distributed data, so only a few data are tested and the results are less than optimal and some countries also experience data abnormalities.

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