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Capital Aspects and Share Ownership Towards Of Banking Financial Performance in ASEAN Member Countries

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ABSTRACT

This research was conducted to examine the effect of capital structure and ownership structure on profitability in the banking sector in Indonesia and the Philippines in 2013-2017. It used the population from conventional commercial banks listed on the Stock Exchange in Indonesia and the Philippines. The data were analyzed using statistical analysis with a structural model. Hypothesis testing results shoow that the capital structure (DER, CAR, and LDR) affects the banks' rofitability in Indonesia. The ownership structure (managerial ownership and institutional ownership) has a significant positive effect on the banks' profitability also in Indonesia. However, the capital structure (DER, CAR, and LDR) has no effect on the banks' profitability in the Philippines. And neither has thee capital structure (DER, CAR, and LDR) no effect on the banks' profitabilityboth in Indonesia and in the Philippines. The ownership structure (managerial ownership and institutional ownership) has a significant positive effect on the banks' profitability of banks both in Indonesia and in the Philippines

Key words: Capital structure, Ownership structure, Financial performance and ASEAN.

ABSTRAK

Penelitian ini dilakukan dengan tujuan untuk menguji pengaruh struktur modal dan struktur kepemilikan terhadap profitabilitas pada sektor perbankan di Negara Indonesia dan Philipina pada tahun 2013-2017. Populasi yang digunakan adalah bank-bank umum konvensional yang terdaftar di bursa efek di Indonesia dan Philipina. Teknik analisis data yang digunakan dalam penelitian ini adalah analisis statistik dengan model structural. Hasil pengujian hipotesis menginformaikan bahwa struktur modal (DER, CAR, dan LDR) berpengaruh terhadap profitabilitas perbankan di Negara Indonesia. Struktur kepemilikan (kepemilikan manajerial dan kepemilikan institusional) berpengaruh positif yang signifikan terhadap profitabilitas perbankan di Negara Indonesia. Struktur modal (DER, CAR, dan LDR) tidak berpengaruh terhadap profitabilitas perbankan di Negara Philipina. Struktur modal (DER, CAR, dan LDR) tidak berpengaruh terhadap profitabilitas perbankan di Negara Indonesia dan Philipina. Struktur kepemilikan (kepemilikan manajerial dan kepemilikan institusional) berpengaruh positif yang signifikan terhadap profitabilitas perbankan di Negara Indonesia dan Philipina.

Key words: Struktur modal, Struktur kepemilikan, Kinerja keuangan dan ASEAN.

1. INTRODUCTION

Banking industry in Indonesia has developed significantly over time. In the beginning of 1980, there were no clear laws governing banking. Onlt are the state banks allowed to extend their loans, which is called Bank Indonesia Liquidity Credit (KLBI). The banking development before 1990 was a legal certainty regarding the banking system that had begun in Law No.7 of 1992. It was a public trust in the banks that began to increase It had arisen or established private banks and formed a bank health assessment system. After 1990, the banks' performance in Indonesia declined due to the number of bad loans, the bank's liquidity was getting lower and regulations regarding the bank's soundness. They found it difficult to implement it. The most prominent thing was the capital adequacy of banks. To correct the weaknesses that occur in the banks' performance in Indonesia, an API (Indonesian Banking Architecture) was established beginning in January 9, 2004 (Prasanjaya & Ramantha, 2013).

Since 2017 the national banking system has been tightening the supervision related to aspects of performance measurement concerning the success of their financial performance. In addition, some efforts have also been made to strengthen the company's operational effectiveness and sustainable efficiency. In this case, the bank capital and ownership factors determine the success to achieve these goals. The weakening of banking capital in ASEAN countries was triggered by the global crisis in 2008, causing very high asset financing and high loan interest rates, as well as increasing the company's operational costs to make careful adjustments. This was also experienced by several banks in Indonesia and the Philippines (Subandi & Ghozali, 2013).

Banking condition in the Philippines at this time also experienced a sluggish growth in terms of their financial performance. All these were caused by disrupted capital aspects due to capital out flow caused by political turmoil after the election of a new leader in the Philippines. Investors make very significant capital withdrawals to be diverted to the property and consumption sectors when compared to the banking sector. The existence of the Central Bank of the Philippines to maintain financial stability is also disturbed very much by changes in investor behavior that affects the composition of share ownership in the banking services industry in the Philippines. This phenomenon is interesting to be investigated by the present researchers. Therefore, this study attempts to see and investigate the effect of capital aspects and ownership on the banks' financial performance in the Philippines.

The banking profitability ratio is intended to determine the companies' financial performance that utilize assets and financial resources owned to produce profits for the company (Pandia, 2012). Therefore, capital aspects greatly determine the amount of financial data sources that can be used to generate profits. For example, capital adequacy ratio (CAR) is the capital adequacy ratio owned by the banks to support assets to overcome the possible risk of any risky credit or productive assets (Darmawi, 2011). For that reason, the stronger the bank's capital, the higher the CAR ratio is, having the possibility for the bank to improve their performance (Kasmir, 2016). This statement is in accordance with the results of research conducted by Dewi, N. V. et al (2017), Kurniasih (2016) and Damayanti & Savitri (2012) stating that the increase in CAR has a significant positive effect on profitability. Instead, the results of this study differ from other study conducted by Suyono et al (2017).

The high proportion of debt to capital owned by the bank can be summarized by the ratio of debt to equity ratio. This ratio is often also known as the leverage ratio. It is because this leverage ratio is a trigger or lever for companies to use funding sources that come from debt to generate profits. However, since this debt has risks, the debt must be protected with sufficient capital and must be owned by the Bank (Herry, 2015). A high increase in DER will cause the bank's liquidity risk to also be higher. This is in line with the results of research by Tailab (2014) and Niresh (2012). Another different evidence was asserted by Rembet et al (2018) stating that DER has no significant effect on profitability.

The study by Suyono et al (2017) show that an increase in loan to deposit ratio (LDR) has a significant and negative effect on profitability. However, it is different from that by Damayanti & Savitri (2012) and Kurniasih (2016) stating that an increase in LDR does not have significant effect on the company profitability. Suyono et al (2017) study is also supported by that of the study by Kodongo et al (2015). According to Defri (2012), LDR is a ratio that informs about the company's ability to provide funds for the needs of its debtors.

The ownership structure is part of the composition of company shares owned by management, companies, and other institutions as well as those owned by the public (Rembet et al, 2018). The previous studies found that the ownership structure does not have a significant effect on the banks' financial performance (Rembet et al, 2018) and Wiranata & Nugrahanti (2013). Yet, they are are different from the research conducted by Nugrahanti & Novia (2012). Based on such differences, the present study tarries to determine the effect of capital structure with indicators such as Capital Adequacy Ratio, Debt to Equity Ratio, Loan to Deposit Ratio, and ownership structure with indicators measuring Managerial Ownership and Institutional Ownership on the banks' profitability in Indonesia and the Philippines.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

Positive Accounting Theory

Regarding the positive accounting theory, it can be referred to Watts and Zimmerman (1986). They are the initiators or inventors of this theory, arguing that the purpose of accounting theory is to explain and predict the accounting practices. By explaining, it means to provide the reasons for accounting practices that can predict phenomena: that are not observed or that cannot be investigated. This theory relates to the concepts in the form of hypotheses to be tested. After that, Watts and Zimmerman also stated that this theory should be built by academics, based on empirical evidence that has the power to predict. Theories that are not built on this basis are referred by Watts and Zimmerman as "child's theory" which generalizes without scientific research experience (Watts & Zimmerman, 1986). The reason why the researcher uses this positive accounting theory as a guideline is clear. This theory tries to predict the hypotheses that have been made so that they can be observed. Therefore, that researcher can infer the hypotheses by connecting all existing and interconnected concepts.

Signalling Theory

Signaling theory is broadly related to the information availability. In this case, financial statements can be used by the investors to make decisionss. Using signal theory, information can be in the forms of such as return on assets (ROA) or the rate of return to assets or also how much profit is derived from the assets used. Thus if ROA is high, it will be a good signal for investors, as explained by Jogiyanto (2014) stating that the information published as an announcement will give a signal to investors in making investment decisions.

According to Scott (2012), this signaling theory is a theory stating that there is encouragement owned by company managers who have good information about the company. Thus, they will be motivated to convey information about the company to their prospective investors that have the aim to increase the company's value through this signal theory in the company's financial statements. The reason for using this signal theory is that it can motivate the banks' managers to achieve their goals in order to increase their banks' profitability and finances.

The Effect of Debt to Equity Ratio on Profitability

Debt to Equity Ratio (DER) is a ratio used to measure the banks' ability to cover part or all of their debts, both long term and short term, with funds originating from the their own capital (Kasmir, 2016). High or low Debt to Equity Ratio (DER) will affect the level of achievement of Return on Equity (ROE) achieved by the company. If the cost incurred by the loan is smaller than the cost of capital alone, the source of funds derived from loans or debt will be more effective in generating profits. Conversely, if the cost incurred by loans is greater than the cost of own capital, the source of funds derived from loans or debt is not effective in generating profits.

Companies with growing profits will strengthen the relationship between DER and profitability, which is where profitability increases along with low DER. The higher Debt to Equity Ratio (DER) indicates the greater the company's burden on outsiders. This is probable to reduce the company performance because the level of dependency with outsiders is getting higher. Sartono (2010) states that the greater the use of debt in the capital structure, the higher the Return on Equity (ROE) of a company. The test results of the research by Rembet et al (2018) showed that DER did not significantly affect profitability as measured by ROA. On the contrary, a research conducted by Dewi, et al (2015) showed that DER has a negative and significant effect on ROA. In addition, Astuti et al (2015) stated that DER had a negative and significant effect on ROE.

The Effect of Loan to Deposit Ratio on Profitability

Loan to Deposit Ratio (LDR) is the ratio between all the amount of credit given by the banks and funds received by them. The LDR states in what degree the bank's ability to repay the fund withdrawals made by depositors by relying on credit as a source of liquidity to debtors. Loan to Deposit Ratio (LDR) is a measure of the ability of banks to repay withdrawals of funds made by depositors by relying on loans provided as a source of liquidity (Kasmir, 2016). In addition, the Loan to Deposit Ratio (LDR) is a ratio used to measure the composition of the amount of credit given compared to the amount of public funds and own capital used.

Agustiningrum (2012) states that the effect of the Loan on Deposit ratio (LDR) on profitability e.g., the size of the bank's Loan to Deposit Ratio (LDR) can affect the bank's profitability. The greater the amount of funds channeled to the customers such as in the form of credit, the lower the amount of idle funds and but the higher the interest income earned or vice versa. The smaller the funds channeled to customers in the form of credit, the hiher the number of idle funds and the lower the interest income earned. Test result of the study by Dewi, et al (2015) showed that LDR partially has a positive and significant effect on ROA, while the results of the study by Kurniasih (2016) showed that LDR has no significant effect on ROA. Still according to Christiano et al (2014), LDR has a positive and significant effect on profitability

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Effect of Capital Adequacy Ratio on Profitability

Banks have capital that can be used for their operations. Their capital consists of two types, namely core capital and supplementary capital. The capital adequacy ratio, which is often referred to as the Capital Adequacy Ratio (CAR). It also reflects the bank's ability to fund its operational activities (Indroes, 2008). In accordance with Bank Indonesia Regulation No.10/ 15/ PBI/ 2008, the minimum capital requirement for a bank is 8%. A bank that has sufficient capital leads to higher profitability. It means that the higher the capital invested in the bank, the higher the bank's profitability (Defri, 2012).

Capital Adequacy Ratio (CAR) is a ratio between the ratios of capital to RWA or commonly referred to as Risk Weighted Assets and in accordance with government regulations (Kasmir, 2016). The higher the risk, the higher the risk margin, so that it can affect the level of income and the smooth operation of a company, which in turn, can affect the level of the amount of credit extended to the public. Damayanti & Savitri (2012) research test results show that CAR has a positive and significant effect on bank profitability. The higher the CAR, the higher the bank's profitability. On the contrary, the study by Suyono et al (2017) shows that CAR does not significantly affect the bank's profitability as measured by ROA. But, Hutagalung et al (2013) state that CAR has a significant effect on bank profitability.

The Effect of Institutional Ownership on Profitability

Institutional ownership is the share ownership owned by corporate and government institutions. The proportion of institutional share ownership can be measured by comparing the number of shares owned by institutional investors with the company's total capital stock in circulation. According to Baridwan (2011), institutional ownership as a share proportion is owned by an institution or institution at the end of the year. It has an important meaning in monitoring management because its existence can encourage optimal oversight.

The greater institutional ownership, the greater the voice power and encouragement of the institution to oversee management. As a result, it will provide a greater impetus to optimize the value of the company, so that the company's performance will continue to increase.The results of tests conducted by previous researchers namely Wiranata & Nugrahanti (2013) stating that institutional ownership has not been proven to affect profitability, while research conducted by Candradewi & Sedana (2016) stating that institutional ownership has a positive and significant effect on profitability (ROA). Also, according to Nugrahanti & Novia (2012), institutional ownership has a positive and significant effect on profitability. This reflected that the low strength of institutional ownership will affect the weakening of external control over the company. The existence of institutional ownership can help increase more optimal supervision of the company's performance in achieving the company's goals, namely to obtain maximum profit.

The Effect of Managerial Ownership on Profitability

Managerial ownership is a condition where the manager takes part in the company's capital structure. In other words, the manager has a dual role, namely as a manager and as a shareholder in the company. In financial statements, this situation is presented by the large percentage of ownership by managers (Rembet et al, 2018). Managerial ownership is measured by the proportion of shares owned by the company at the end of the year and expressed as a percentage. The greater the proportion of shares of managerial ownership in the company, then management will also try even harder for the interests of shareholders which in other words are themselves.

Large management ownership will be effective to oversee the company's activities. In addition, the greater the ownership of shares by management, the less the tendency of management to optimize the use of resources, resulting in the performance of management to be maximized and ownership of shares owned by the Board of management directors, managers can increase the maximum profitability of the company.

The study by Wiranata & Nugrahanti (2013) states that managerial ownership does not significantly affect profitability. Neidther did the study by Rembet et al (2018). Their resulk also show that managerial ownership does not significantly influence profitability. In contrast to researchers conducted by Candradewi & Sedana (2016) states that managerial ownership has a positive and significant effect on profitability. Based on the arguments and theoretical basis above, the research framework can be drawn as in Figure 1.

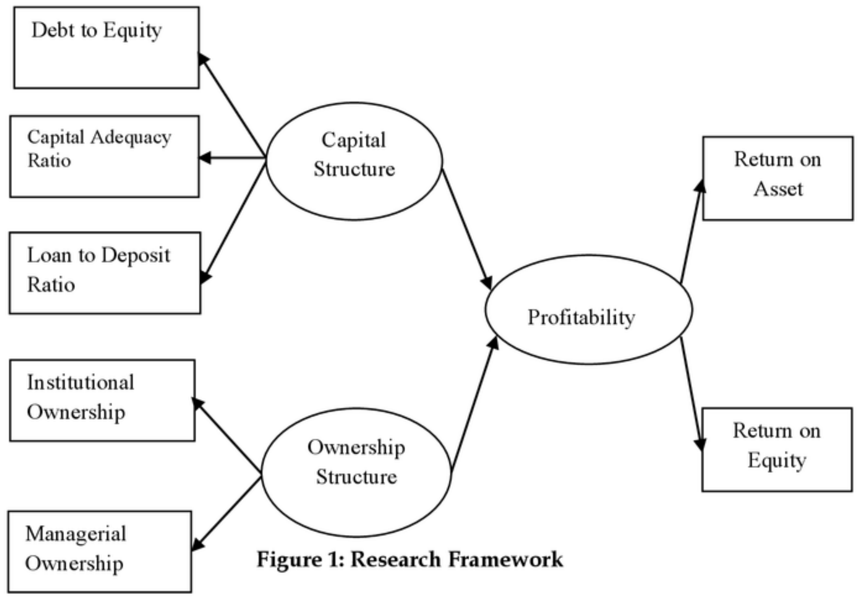

Figure 1: Research Framework

As in the theoretical framework and in the research framework in Figur 2, the hypotheses can be stated as the following:

Research Hypotheses:

H_1: Do the capital structure and ownership structure affect the banks' profitability in Indonesia?

H_2: Do the capital structure and ownership structure affect the banks' profitability in the Philippines?

H_3: Is there a different effect of capital structure and ownership structure on the banks' profitability in Indonesia and the Philippines?

3. RESEARCH METHOD

This study used the sample taken only from the banks in two ASEAN countries, namely the banks in Indonesia and those the Philippines over a five-year period, 2013-2107. This studies used panel data were 152 Philippines Banks and 175 Indonesia Banks. The data were taken from their annual financial statements on the official website, namely www.idx.co.id and www.set.or.ph. It used the variables such as dependent variable (Y) that is profitability.

Y = Profitability

1. Independent variables as X such as the following:

X_1 = DER (*Debt to Equity Ratio*)
X_2 = CAR (*Capital Adequacy Ratio*)
X_3 = LDR (*Loan to Deposit Ratio*)
X_4 = Institutional Ownership

X_5 = Managerial Ownership

Operational Definition and Variable Measurement

This study used Return on Assets (ROA) as an indicator of the banks' profitability. ROA is a ratio that shows the return on the amount of assets used in the company and is a measure of the effectiveness of management in managing its investments (Hanafi, Mamduh M & Halim, 2012). Then Return on Equity (ROE) which is the return on equity of common stock is used to measure the level of profits generated from shareholder investments (Kasmir, 2016). ROA and ROE can be calculated using the following formula:

$$\boxed{ROA = \frac{\text{Earning Before Income Tax}}{\text{Total Asset}} \text{x } 100\%}$$

$$\boxed{ROE = \frac{\text{Earning Before Income Tax}}{\text{Total Equity}} \text{x } 100\%}$$

Debt to Equity Ratio (DER)

Debt to Equity Ratio (DER) s the ratio used to assess debt with equity. This ratio is resulted by comparing all debt, including current debt and all equity. This ratio is useful to see the amount of funds provided by the borrower (creditor) with the owner of the company. In other words, this ratio serves to know every rupiah of its own capital that is used for debt guarantees (Kasmir, 2016). For creditors (banks), the greater the DER, the less profitable it will be because the greater the risk posseed by the failure that may occur in the company. However, for companies, the bigger the DER, the better. The following is the DER calculation formula:

$$\boxed{\text{Debt to Equity Ratio } = \frac{\text{Total Debt}}{\text{Equity}}}$$

Capital Adequacy Ratio (CAR)

Capital Adequacy Ratio (CAR) is a bank performance ratio, used to measure the capital adequacy of banks to support assets that contain or generate risk, for example loans provided. Capital Adequacy Ratio (CAR) is a capital ratio that shows the ability of banks to provide funds for business development needs and to accommodate the possible risk of losses resulting from bank operations (Kasmir, 2016). The following is the CAR calculation formula:

$$\boxed{\textit{Capital Adequacy Ratio } = \frac{\text{Capital}}{\text{Risk} - \text{weighted assets}} \text{x } 100\%}$$

Loan to Deposit Ratio (LDR)

Loan to Deposit Ratio (LDR) is a ratio used to measure how much the bank's ability to pay debts and repay to depositors (third parties and can meet credit requests submitted without any suspension. Loan to Deposit Ratio (LDR) is the ratio used to measure the composition of the amount of credit given compared to the amount of public funds and own capital used. The maximum Loan to Deposit Ratio (DER) according to government regulations is 110% (Kasmir, 2016). The following is the LDR calculation formula:

$$\text{LDR} = \frac{\text{Loan}}{\text{Total Deposit} + \text{Equity}} \text{x } 100\%$$

Institutional Ownership

Institutional ownership is a condition where an institution has a stake in a company. This institution can be in the form of government institutions, private institutions, and domestic as well as foreign institutions. The presence of institutional investors is considered capable of being an effective monitoring mechanism in every decision taken by managers. The greater the institutional ownership, the greater the urge to oversee management so that the company's performance will increase which will benefit shareholders because they get the maximum profit (Sawitri et al, 2017). The following is the formula for calculating institutional ownership:

$$\text{KI} = \frac{\sum \text{SI}}{\sum \text{SB}} \text{x } 100\%$$

Description:

KI = Institutional ownership
∑SI = A Numner of shares owned by institutions
∑SB = A Numer of The existing Shares

Managerial Ownership

Managerial ownership is ownership showing the situation is the company's stock manager. In other words, the manager is also a shareholder (Tjeleni, 2013).

$$\text{KM} = \frac{\sum \text{SM}}{\sum \text{SB}} \text{x } 100\%$$

Description:

KM = Managerial ownership
∑SM = A Number of shares owned by managers
∑SB = A Number of the existing shares

The data were analyzed using PLS (Partial Least Square) with smartPLS 6.0. In this case, PLS is a variant-based Structural Equation Model (SEM). SEM is a multiviate technique which is a combination of factor analysis and correlation analysis (Santoso, 2014)

3. DATA ANALYSIS AND DISCUSSION

Descriptive Analysis

Descriptive analysis aims to describe thoroughly the variables used. This study only conducted descriptive analysis based on data of maximum, minimum, average (mean) and standard deviation. In this study the variable described is profitability proxies by Return on Assets (ROA) and Return on Equity (ROE), while the independent variable capital structure is measured by Debt to Equity Ratio (DER), Loan to Deposit Ratio (LDR), Capital Adequacy Ratio (CAR) and ownership structure as measured by managerial ownership, institutional ownership.

Table 1
Descriptive Statistical Analysis in Indonesia

	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Deviation Statistic
ROA	0,2237	0,3172	0,038301	0,0352007
ROE	0,0511	0,6329	0,074270	0,2201911
DER	0,2876	8,2002	2,620081	3,4117821
LDR	0,9002	6,3187	2,459011	2,5117955
CAR	0,1290	0,2417	0,180026	0,1311025
KM	0,1009	0,5422	0,207221	0,1973226
KI	0,0005	0,3128	0,516351	0,1814420

Source: spss 2019

Descriptive statistical results inform that the lowest return on assets is 0,2237 owned by the Bank Danamon in 2016, the lowest return on equity is 0,0511 owned by the Bank Arta Graha in 2016, the value of debt to equity the lowest is owned by Bukopin Bank in 2015 with a value of 0,2876, the lowest loan to deposit ratio of 0,9002 is owned by Bank Nobu Indonesia in 2016, the lowest capital adequacy ratio of 0,1290 is owned by Bank Permata Indonesia in 2017 , the last managerial ownership was the Bank Panin in 2017 of 0,1009 and the lowest institutional ownership was Bank Mestika Darma of 0,0005 in 2017.

Descriptive analysis results also inform that the highest return on assets is 0.3172 owned by Bank Central Asia in 2017, the highest return on equity value is 0,6329 owned by banks Bank Rakyat Indonesia in 2016, debt to equity value The highest is owned by the QNB Indonesia Bank in 2017 with a value of 8,2002, the highest loan to deposit ratio of 6,3187 is owned by Bank Rakyat Indonesia in 2016, the highest capital adequacy ratio of 0,2417 is owned by Bank BRI in 2017, the highest managerial ownership is the Bank Tabungan Negara in 2017 amounted to 0,5422 and the highest institutional ownership was the Bank Panin 0,3128 in 2016.

Table 2
Descriptive Statistical Analysis in Philippines

	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Deviation Statistic
ROA	0,0310	0,4106	0,021927	0,0137891
ROE	0,1119	0,7683	0,078681	0,1318190
DER	0,3107	9,2113	1,827947	3,4117874
LDR	0,1141	6,3071	0,866231	0,5097911
CAR	0,0818	0,2513	0,177029	0,0201029
KM	0,0002	0,6819	0,361735	0,2377159
KI	0,0040	0,5421	0,636359	0,1405321

Source: spss 2019

Descriptive statistical results inform that the lowest return on assets is 0,0310 owned by the bank of commerce in 2015, the lowest return on equity is 0,1119 owned by the First Commercial bank Manila bank in 2016, the value of debt to equity the lowest is owned by FICO bank in 2016 with a value of 0,3107, the lowest loan to deposit ratio of 0,1141 is owned by BDO Unibank in 2017, the lowest capital adequacy ratio of 0,0818 is owned by DBP bank Philippine in 2016 , the last managerial ownership was the Philippine bank of communications bank in 2017 of 0,0002 and the lowest institutional ownership was the Robinsons bank corporation of 0,0040 in 2016.

Descriptive analysis results also inform that the highest return on assets is 0,4106 owned by Philippine veterans bank in 2016, the highest return on equity value is 0,7683 owned by banks Bank of the Philippine island in 2015, debt to equity value The highest is owned by the Central Asian Bank in 2017 with a value of 9,2113 the highest loan to deposit ratio of 6,3071 is owned by Standard chartered Bank Philippines in 2015, the highest capital adequacy ratio of 0,2513 is owned by Maybank Philippine bank in 2017 , the highest managerial ownership is the DBP bank Philippine in 2017 amounted to 0,6819 and the highest institutional ownership was the Philippine UCPB bank of 0,5421 in 2017.

As the researcher described earlier this study attempts to determine the effect of capital structure and ownership structure on profitability in conventional banking companies in Indonesia and the Philippines in 2013-2017. The results of hypothesis testing in Indonesia show that capital structure has a positive effect on profitability. Also, ownership structure has a positive effect on the bank profitability. So does the hypothesis test results in the Philippines. It also shows that capital structure has a positive effect on profitability but ownership structure has a negative effect on profitability. To evaluate the structural relationship between latent variables, the hypothesis testing was to be done using the path coefficient between variables by comparing the p-value with alpha (0.1). This is to ensure the presence or absence of the influence of independent variables on the dependent variable in this study can be seen on Table 3.

Table 3
P-value of Indonesia

Variable	Profit
SM	0,0445
SK	0,0010

Source: Results of the Processed PLS 6.0 Analysis, Attachment

Table 4
Path Coefficients of Indonesia

Variable	Profit
SM	0,1162
SK	0,3121

Source: The Results of the Processed WarpPLS 6.0 Analysis

The hypothesis testing was done to prove the estimates of research hypotheses. It consists of two hypotheses as the following.

H_1: *Capital structure has a significant effect on profitability.*

Based on Table 3, the first hypothesis testing obtained p-values of 0.0445 which is smaller than the alpha value of 0.05 (5%) while on Table 4, it shows that the value of the path coefficients is 0.1162. Thus, it stated that the capital structure has a significant and positive effect on profitability. These results indicate that H1 is accepted.
H_2: *Ownership structure has a significant effect on profitability.*
Based on Table 3, the first hypothesis test obtained p-values of 0.0010 which is smaller than the alpha value of 0.05 (5%) while ion Table 4, it shows that the value of the path coefficients is 0.3121. Therefore, it can be stated that the structure ownership has a significant positive effect on profitability. This shows that H2 is accepted.

Table 5
P-value of the Phillipines

Variable	Profit
SM	0,1738
SK	0,0283

Source: Results of the processed WarpPLS 6.0 Analysis

Table 6
Path Coefficients of the Phillippines

Variable	Profit
SM	-0.0542
SK	0.2017

Source: Results of the Processed WarpPLS 6.0 Analysis

The Hypothesis testing on this was also done to prove the estimates of research consisting of two hypotheses in the Philippines, namely:

H_1: *Capital structure affects profitability.*

Based on table 5, the first hypothesis testing obtained p-values of 0.1738 in which it is greater than the value of alpha = 0.05 (5%) , while on Table 6, its shows that the value of the path coefficients of -0.0542, then it can be stated that the capital structure has no effect on profitability. This shows that H_1 was rejected.

H_2: *Ownership structure affects profitability.*

Based on Table 5, the first hypothesis testing obtained p-values of 0.0283, in which the value is smaller than that of alpha = 0.05 (5%) while in Table 6, it shows that the value of the path coefficients is 0.201. In this case, it can be stated that ownership structure has a significant and positive effect on profitability. This shows that H_2 is also received.

The results of hypothesis testing both in Indonesia and the Philippines show that capital structure does not affect profitability and ownership structure positively affects probability. This can be seen from the results of the analysis of each of the following variables.

The Effect of Debt to Equity Ratio (DER) on Profitability

This study indicates that the commercial banks' performance in Indonesia could cover part or all of their debts, both in the long term and short term. Thus, they have their ability to do it. The DER increase is due to the companies' large burden on outsiders that can lower company performance. It is because of the level of dependency with outsiders which is getting higher. The results of this study also indicate that commercial banks' performance in the Philippines could not cover all or part of its debts, both in the long term and short term. If the costs incurred by the loan are less than the cost of capital alone, then the source of funds from loans or debt will be more effective in generating profits.

According to the theories prescribed in this study, the signaling theory shows how companies give signals to their users about their financial statements. This signal is an action taken by management aimed at stakeholders to demonstrate the capabilities expressed in the annual report. By showing a good performance, they can provide a good signal to the investors to invest in order to obtain the desired profit. The results of this study are in line with research conducted by Rembet et al (2018), Tailab (2014) and Niresh (2012).

The Effect of Loan to Deposit Ratio (LDR) on Profitability

This study indicates that the commercial banks' performance in Indonesia has a good ability in lending. The increase in LDR is due to credit growth that is greater than the growth of third party funds they collected. Therefore, they have the opportunity to get a high level of profit. This study also indicates that the commercial banks' performance in the Philippines also has a good ability in lending. The increase in LDR is due to credit growth that is greater than the growth of third party funds collected by banks, so that the bank has the opportunity to get a high level of profit.

According to the theory that is the signaling theory, it shows that a company has a positive sign about their financial condition that will increase investor confidence, including for the investors as depositors or shareholders who want to withdraw their money that has been used by banks to provide credit. If the bank could distribute credit while the funds raised a little, it will cause the bank to get a profit. The results of this study are in line with research conducted by Damayanti & Savitri (2012), Kodongo et al (2015) and Suyono et al (2017).

The Effect of Capital Adequacy Ratio (CAR) on Profitability

This study indicates that the commercial banks' performance in Indonesia has sufficient capital and could manage their assets well. For that reason, they could save by themselves when a problem occurs. The higher the CAR, the stronger the bank's ability to bear the risk of any risky credit or productive assets that will increase profits at the bank. This study also indicates that the level of capital adequacy owned by a bank has an effect on the increase of bank profits, one of which is an increase in interest. However, in reality, the commercial banks in the Philippines did not optimize the existing capital so that they did not achieve an increase in the bank's profit. This happens because banking regulations require a minimum CAR of 8%, resulting in banks always trying to keep their CARs in accordance with the provisions.

The Effect of Managerial Ownership on Profitability

Thhis study indicates that the commercial banks' performance in Indonesia could improve their performance by increasing the proportion of managerial ownership in companies as measured by ROA directly. The greater the proportion of managerial ownership, the smaller the chance of conflict, because if the owner acts as the manager of the company, making decisions will be very careful so as not to harm the company. Ultimately, it can improve the banks'performance. This study also indicated that the commercial banks' performance in the Philippines can improve their performance by increasing the proportion of managerial ownership as measured by ROA directly. The greater the proportion of managerial ownership, the smaller the chance of conflict, because if the owner acts as the manager of the company, making decisions will be very careful so as not to harm the company, and ultimately can improve company performance.

According to the theory that is agency theory, it shows that managerial stock ownership will require managers to always be careful in making decisions because the results of these decisions will have a direct impact on the shares owned by managers. The greater the proportion of managerial ownership in company shares, the better the performance of the company. The results of this study are in line with research conducted by Nugrahanti & Novia (2012) showing that managerial ownership has a positive effect on profitability.

The Effect of Institutional Ownership on Profitability

This study also indicates that the commercial banks' performance in Indonesia can increase supervision activity by institutions so that it can hinder the managers' opportunistic behavior. Besides that, it can help corporate decision making, so as to improve the company's financial performance. This study also indicates that the commercial banks' performance in the Philippines can increase institutional supervision. Thus, they can also hinder the managers' opportunistic behavior, and can help corporate decision making, so as to improve the company's financial performance.

According to the theory that is agency theory, it shows that a large proportion of institutional ownership can increase supervision by the institutions. This can prevent from the managers' opportunistic behavior and help corporate decision making, so as to improve corporate financial performance. The existence of institutional investors in the company can help reduce agency problems that occur, namely problems that arise between the management and the shareholders. The results of this study are in line with that conducted by Nugrahanti & Novia (2012), showing that managerial ownership has a positive effect on profitability.

5. CONCLUSION, IMPLICATION, SUGGESTIONS AND LIMITATIONS

This study was done to examine the effect of capital structure and ownership structure on profitability in the banking sector in Indonesia and the Philippines in 2013-2017. It shows that capital structure (DER, CAR, and LDR) affect the banks' profitability in Indonesia in 2013-2017. Therefore, this study provides evidence that DER, CAR, and LDR affect the profitability of banks in Indonesia, as stated in the hypothesis is true. Thus, the hypothesis is accepted.

The ownership structure (managerial ownership and institutional ownership) has a significant positive and effect on the banks' profitability in Indonesia in 2013-2017. From this evidence, the hypothesis stating managerial ownership and institutional ownership over profitability is accepted. However, capital structure (DER, CAR, and LDR) has no effect on the banks' profitability in the Philippines in 2013-2017. This shows that DER, CAR, and LDR have no effect on profitability because there are phenomena that occur in the banking financial statements in Indonesia and the Philippines. The ownership structure (managerial ownership and institutional ownership) has a significant positive effect on bank profitability in the Philippines in 2013-2017. The capital structure (DER, CAR, and LDR) does not affect the profitability of banks in Indonesia and the Philippines in 2013-2017. This shows that DER, CAR, and LDR have no effect on profitability because there are phenomena that occur in the financial statements of banks in Indonesia and the Philippines and the ownership structure (managerial ownership and institutional ownership) has a significant positive effect on the profitability of banks in Indonesia and the Philippines.

This study, however, has also limitations. Several annual reports were prepared not using international languages (English) which might cuase the researcher unable to read the financial statements well so that elimination was carried out. There are several companies in the banking sector whose financial statements cannot be accessed through the stock exchange. Their financial reports can only be accessed through the web of each of the banking sector companies. Therefore, for further study, the researchers can use more country as the sample. It is not only Indonesia and the Philippines. It can be in all countries in ASEAN.

It can be implied that for the banks in Indonesia, capital structure needs to be paid attention because it can affect the banks' profitability. It also deals with ownership structure for the banks in Indonesia to pay attention. However, it can be different from that in the Philippines. Therefore, further studies on the same purpose can be done for providing more evidence.

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