

Sub-Theme: Changing in PESTEL(Politic, Economic, Social, Technology and Law)

Determinants of Financial Performance in Banking Securitization in Southeast Asian

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Abstract

The purpose of this paper is to examine the effect of financial performance in banking securitization in Southeast Asian. In particular, the authors examine two important issues. First, the ABS (Asset-Backed Securities) effect on Return on Assets (ROA) as indicators of firm profitability. Second, bank securitization improved profitability by securitizing its portfolio loans to investors to get liquidity. The authors used a sample of 12 commercial banks in Southeast Asian Countries (including Indonesia, Singapore, Thailand, Malaysia, and the Philippines). A data panel regression model was used from 1998 to 2018. The results show that ABS has found a significant positive on ROA as an indicator of firm profitability. On the other hand, ABS has a negative relationship with the size as a moderating variable on ROA. Furthermore, banks can liquidate loans to finance the liquidity they need without dependence on traditional sources of funds (deposits, savings, and current accounts). In addition, securitization improved financial ratios such as ROA, Size, and reduces banks securitization's default risk and cost-efficiency.

Keywords:

asset-backed securities; securitization; return on assets; size; banks

Introduction

Asset securitization is a process of selling individual loans, companies, and debt instruments that are connected to an investment instrument and to improve credit status or

increase the rating so that can be sold to investors. The instrument on the results of this securitization is known as Asset-Backed Securities (ABS). Moreover, the process of securitization has significantly changed the bank's role of acting as intermediaries between borrowers and depositors. Asset securitization provides more benefits to financial institutions. As an example, banks and other types of financial institutions have illiquid assets that can be transformed into capital market instruments, namely securitization as an alternative source of funding. Furthermore, banks can diversify their products and reduce dependence on deposits (third party funds), as a result, the bank is automatically reducing the cost of financial distress (Kara, Ozkan, & Altunbas, 2016). Additionally, ABS will help the originator to get the benefit of securitized in financing housing loans and infrastructure.

Asset securitization in Southeast Asian countries (ASEAN-Association of Southeast Asian Nations) has developed rapidly, especially in Singapore, Malaysia, and Thailand. The reputations of the bank-bank in the ASEAN should be taken into consideration. Therefore, the authors have concerned and chosen ASEAN countries as barometers because Banks that carry out securitization in the earlier 1990s have gone public and are listed on the stock exchange in its own country.

Securitization created more opportunities to increase profits. Furthermore, there is evidence, in the 1990s and 2008, there was a tremendous increase in the size of the securitization market. In the US, the volume of mortgage-backed securities increased significantly from \$2.3 trillion in 1994 to \$8.4 trillion at the end of 2008, while the market for asset-backed securities increased from \$192 billion to \$2.6 trillion in the same period.

In Europe, at the end of 2008, the volume of outstanding mortgage-backed securities was about \$2 trillion (from \$26 billion in 1994), while the market for asset-backed securities was \$299 billion (from \$5 billion in 1994). According to the International Monetary Fund (IMF 2009), supported by security assets and bonds provide between 20% and 60% of funds for new housing mortgage loans resulted from rapid economic growth before the 2008 credit crisis. After the period of expansion, the securitization market was hit by the mortgage crisis at the end of 2008 after the collapse of Lehman Brothers (Casu, Clare, Sarkisyan, & Thomas, 2013).

Empirical evidence found that asset securitization was initiated originated from bank securitization has transferred assets which have a lower risk in the financial statements. In contrast, the second study shows that the risk still exists with banks that have contractual

agreements with other parties SPV (Special Purpose Vehicle). Third, the evidence is opposite, researchers found a positive relationship between securitization and risk, others found that securitization reduces bank risk, but recommends that banks accept the risk reduction that will be taken for the next risk (Casu et al., 2011).

Concerning the research of (Casu et al., 2011), have found empirical evidence of how asset securitization affects the profit performance of banks and the risk of securitization. First, test the efficiency of risk and the rate of return and then trade-off with the asset portfolio consistently by the principle of diversification. Further, if the yield increases and reduces the risk of securitization, and concludes that the securitization of assets gives a positive performance. Moreover, the effect of a diversified portfolio will increase financial performance (profitability) and reduce risk (Tah & Martinez, 2016). Banks conduct securitization by incorporated stochastic asset returns and leverage constraints and calculate how much profit the asset securitization program will get. It also includes the economic environment and the trend of securitization, including the bubble economy environment and the trend of securitization, including the bubble economy and crisis periods. There are 4 parameters of 4 cases of asset securitization consisting of a normal case, bubble deteriorating, and crisis (Egami & Hosono, 2012).

Asset Securitization (ABS) can be processed with various types of loans that are pooled together and can be sold to investors. Investors will receive regular payments including interest and principal on underlying loans. The securitization process has undergone changes to banks as intermediaries between borrowers and depositors. Conventional borrowers explain how to extend a loan to maturity and further explain that securitization provides more benefits to financial institutions, for example, banks and other types of financial institutions had illiquid assets can be transformed into capital market instruments, namely securitization (Into liquid assets.) as an alternative source of funding. Furthermore, banks can diversify their products and reduce dependence on deposits (third-party funds) so that they can automatically reduce the cost of financial distress. With an increase in bank liquidity, it can reduce insolvency (inability to pay off liabilities) an increase in asset turnover as well as increase profitability. For institutional investors, asset securitization is an alternative for diversification of portfolios to get higher yields (Kara et al., 2016).

During the global economic crisis of 2007-2008, there has been much attention to the securitization that triggered the crisis. During the crisis, the asset securitization market slumped and affected ABS and suffered losses from ABS investors. Prior to the crisis, several bank business models funded bank operations through securitization and were blamed for encouraging credit growth to boost the economy. There is evidence, the researcher argues that the effect of securitization is an incentive for the bank's mechanism to measure the risk of investor behavior. Further, there has been found empirical evidence that does not support the theoretical conclusions. There is some evidence that if the bank is active in securitizing, the bank can lend greater risk to investors (borrowers), and have a smaller diversified portfolio and smaller capital, while the credit risk is owned and is more aggressive in providing loans. Further, bank securitization reduces the risk of default, increases profits, increases liquidity, and enlarges the loan supply. In asset securitization, especially Home Ownership Credit (housing loans), banks are more likely to consistently proven bank risks in securitization can be reduced (Kara et al., 2016).

Securitization is a process of obtaining a number of cash funds generated from mortgages (mortgages), corporate loans, car loans (loans) stored in one basket (pool) into tradable securities. These cash flows create an economic value for the asset's securitization. Further, the securitization is sold to investors who subsequently get payment of principal and interest installments of the underlying loan supported by ABS. Securitization can be influenced by the performance of the Bank, performance can be seen from the presentation of financial reporting progress from several indicators, namely Return on Assets (ROA), Capital Adequacy Ratio (CAR), Loan Loss Provisions (LLP), Loan Deposit Ratio (LDR), Funds Third Party (DPK) Herfindahl - Hirschman Index and Size.

Literature Review

Asset securitization provides banks with additional sources of loan financing and liquidity and must protect the willingness of banks to supply credit from scarcity in external markets (Loutskina, 2011). Banks can liquidate loans to finance the liquidity they need, they can also undertake to finance new loans, thus making banks less dependent on traditional sources of funds (deposits, savings, and current accounts). Increasing loan liquidity, banks must change the network from the availability of bank funds (deposits) to supply credit needs.

It is expected that banks can implement securitization and understand the concept of securitization. Furthermore, how to use liquidity so that banks can take advantage of techniques to transfer credit risk in asset securitization, banks that are active in the securities market must be able to deal with a contraction (tight market) for liquidity and be able to provide funds even though the market is in tight supply (contraction) (Loutskina, 2011).

Banks that have a large asset securitization portfolio are not affected by the provision of asset securitization loans, if there is an increase in the fed rates (increase in US central bank interest rates) compared to bank with small portfolios (Loutskina, 2011). The results of the study (Quacoe & Banson, 2015) reveal that the majority of respondents, 83.5%, believe that their level of profitability will increase due to asset securitization. In addition, the profits increased because the company was securitizing assets. The more clients served in line with the availability of funds, the higher profit margins will increase, while all other factors remain constant (Quacoe & Banson, 2015).

Securitization occurs when a bank transforms illiquid assets, which are generally held until maturity and transformed into liquid securities. The model of securitization transactions used where the originating (the original bank) transfers its assets (into one basket or known pool) into fixed asset cash flow to SPV (Special Purpose Vehicle) as a legal entity that will buy the securities issued by the bank. Originating that is guaranteed by the asset to be stored in the pool. Asset transfer must meet the requirements as a "true sale", where the bank selling the asset must fully surrender its rights to the SPV and subsequently by accounting the assets sold through asset securitization must be removed from the bank's financial statements (Casu, Clare, Sarkisyan, & Thomas, 2011).

The bank securitizes its assets by selling its credit portfolio through SPV, where the bank will get liquid funds which will later be given again in the form of loans to the public. Further, the advantage of banks securitization is the CAR ratio does not affect, however, the bank's CAR ratio can be stronger and increased the profitability by selling the bank loan portfolio. Therefore, by accounting policy, the loans that are sold are not recorded in the bank's balance sheet.

Asset securitization carries a large risk if it is not managed properly. The bank can reduce credit risk from investors to increase the credit rating of the ABS (Asset-Backed Securities), and mitigate problems that will arise on the credit quality of the asset collateral

(underlying assets). To improve asset quality usually come from the originating bank, including to other parties in the contract. For example, contract agreement includes interest income and asset transfers such as improved credit rating and availability of letters of credit (LC) in securitization. Non-contact agreement or also known as implicit recourse (unwritten agreement) including; i) sale of assets at a discount to SPV; ii) likewise, for the purchase of assets to SPV a discount is given at an attractive price. iii) a smooth exchange of assets to an exchange of substandard assets at SPV; iv) better credit enhancement funding into contractual agreements (Casu et al., 2011).

Companies seek funds through asset securitization with the consideration that selling assets through asset securitization can reduce lower financial costs, sell securities with high credit quality can save capital, based on the provisions of the capital market the company can sell assets with the asset sale scheme by selling out (true sale) so that applying the accounting system can reduce the company's capital requirements (Santoso et al, 2014).

In addition, through securitization of company assets, it can meet the needs of the company both in the amount of financing and the period, making it easier for investors to manage cash flow. Investors can invest in asset securitization with long-term funding alternatives of 3-10 years because ABS is more attractive to investors than other debt securities, such as bonds and promissory notes because it is supported by liquid assets and relatively small risks, even though the originator (issuer) goes bankrupt, the ABS (securities sold) will still exist. This is different from bond buyers or promissory notes, who will lose their funds if the company concerned goes bankrupt (Santoso et al, 2014).

Securitization is a process of obtaining a number of cash funds generated from mortgages, corporate loans, car loans (loans) stored in one basket (pool) into tradable securities. The cash flows create economic value for the assets and can be used to create securitization. Then, the securitization is sold to investors who then get payment of principal and interest installments from the underlying loan supported by the ABS. Securitization can be influenced by the performance of the Bank. Performance can be seen from the presentation of financial reporting progress from several indicators that would achieve better bank performance, namely Return on Assets (ROA) and Size.

ABS (Asset-Backed Securities) has a positive relationship with the securitization of bank assets in improving performance and enhancing bank financial stability. By securitizing

bank assets, can reduce dependency on deposits, and through securitization of bank assets can diversify products and provide lower costs. By increasing bank liquidity, it can reduce the threat of insolvency (default) with increasing asset turnover and increase profitability (Kara et al., 2016).

Banks conduct securitization through ABS issuance, there are some benefits for the banks, such as stronger CAR, increased profitability, cheaper funding costs, banks are safe from financial distress, and in the future banks do not need to focus on increasing their capital needs.

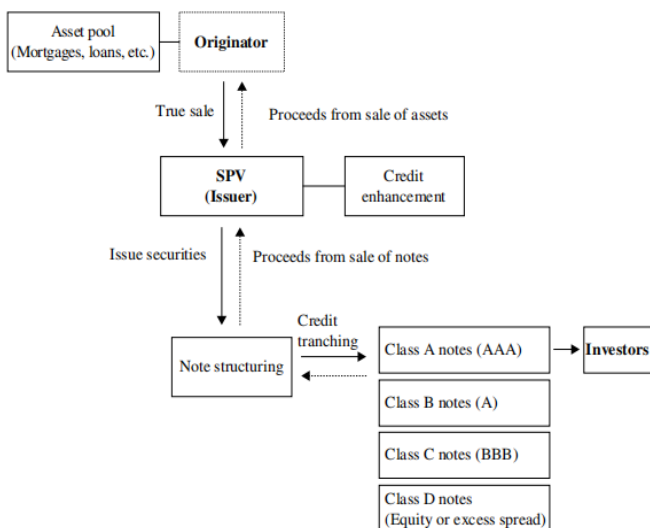
Size according to previous research that the factor affecting the profitability of 40 companies in Tunisia between 1998-2006 is Size, which has a positive relationship with profitability. In addition, several companies listed on the Istanbul Stock Exchange from 2005 to 2011 had a positive relationship between size and profitability (Doğan, 2013). ROA (Return on Assets) is the most dominant variable for measuring profitability where ROA is the net profit divided by the total assets in percentage. ROA describes the extent to which a bank can manage assets to generate revenues. ROA can also measure a bank's operational performance in terms of profit and investment (Rahman et al., 2015).

The benefits of the bank have a big size are the bank is much stronger against the crisis economy. The bigger the size of a bank, the better it can diversify its products which can support profitability and strengthen the CAR. Size can also prevent banks from falling into financial distress. Therefore, the size can fully support the bank's financial ratios and the bank's balance sheet.

The remainder of the paper is organized as follows:

- Section 2 provides the benefits of asset securitization for banks, the securitization process, hypothesis, the research model.
- Section 3 provides methodology model 1 and model 2.
- Section 4 provides results and discussion, cost and benefits securitization, descriptive statistics, the results of regression analysis, determination coefficient. Section 5 provides conclusion and policy implications.

Figure 1.
The Securitization Process



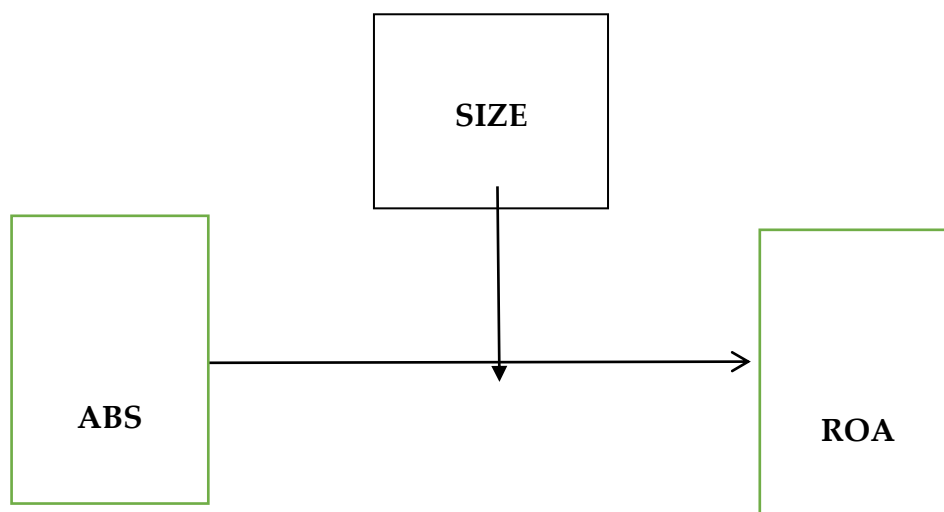
(Source: *The Mechanics of Securitization*, Moorad Choudhry, 2013)

Construction of the Hypothesis

H1: There is an effect of ABS (Asset Backed Securities) on ROA (Return on Assets).

H1: There is an effect of ABS (Asset Backed Securities) after the moderating variable Size is given to ROA (Return on Assets).

Figure 2.
Research Model



Methods

The purpose of this paper is to examine the effect of financial performance in banking securitization in Southeast Asian. There are two important issues in mortgages securitization. First, ABS (Asset-Backed Securities) effect firm Size as a moderating variable on Return on Assets (ROA) as indicators of firm profitability. Second, bank securitization improved profitability by securitizing its portfolio loans to investors in order to get liquidity. In this section, we used a sample of 12 commercial banks in Southeast Asian Countries (Including Indonesia, Singapore, Thailand, Malaysia, and the Philippines). A data panel regression model used for the period of 1998-2018. The authors used the following regression equation.

Model 1:

$$ROA = \beta_0 + \beta_1 ABS + \beta_2 Size + \varepsilon_i$$

Model 2:

$$ROA = \beta_0 + \beta_1 ABS + \beta_2 Size + \beta_3 ABS * SIZE + \varepsilon$$

Results and Discussion

Illustration of Cost and Benefit of Securitization Analysis (Without Securitization vs Securitization)

The following is an illustration of the cost and benefit analysis of securitization (Table 1) XYZ bank balance sheet, where funding comes from third-party funds in channeling housing loans (mortgages) (Table 4.1) and the results of the income statement (table 2), where XYZ Bank generates ROA and ROE (without Securitization), as follows:

a) ROA (*Return on Assets*) = 4.7% (212,770/4,525,000)

b) ROE (*Return on Equity*) = 58.8% (212,770/362,000)

Table 1.
Balance Sheet of Bank XYZ

| Balance Sheet of Bank XYZ, as of December 31, 2009 (Without Securitization) | | | |
|--|-------------|-----------------------|-------------|
| Cash | \$ 25,000 | Deposits | \$4,113,000 |
| Mortgages | \$4,000,000 | Debentures | \$ 50,000 |
| Consumer | \$ 500,000 | Capital | \$ 362,000 |
| loans | \$4,525,000 | Total Liabilities and | \$4,525,000 |
| Total Assets | | Capital | |

Tabel 2.
Income Statement of Bank XYZ

| Income Statement of Bank XYZ, December 31, 2009 (Without Securitization) | | |
|---|------------------|--|
| Interest on mortgages | \$120,0000 | (half of 6% interest on \$4,000,000) |
| Interest on consumer loans | \$ 40,000 | (8% interest on \$500,000) |
| Originations fees | \$ 80,000 | (2% origination fee on \$4,000,000) |
| Gross Income | \$240,000 | |
| Less: Interest costs deposits | \$ 22,730 | (1% interest on \$433,000 and half of 1% on \$3,680,000) |
| Less: Interest costs on debentures | \$ 4,500 | (9% interest on \$50,000) |
| Net Income Before Tax | \$212,770 | |

The following is an illustration of the cost and benefit analysis of securitization (Table 3) XYZ Bank balance sheet whose funding comes from the line of credit revolving facility from financial institutions in distributing mortgages (Table 3) and the results of the income statement. (Table 4)Where XYZ Bank generates ROA and ROE (Securitization), as follows:

a) ROA (*Return on Assets*) = 24% (128,670/525,000)

b) ROE (*Return on Equity*) = 306,4%(128,670/42,000)

Tabel 3.
Balance Sheet Of Bank XYZ , 2009

| Balance Sheet of Bank XYZ, as of December 31, 2009 (Securitization) | | | |
|--|-------------------|--------------------------------------|-------------------|
| Cash | \$ 25,000 | Deposits | \$ 433,000 |
| Consumer loans | \$ 500,000 | Debentures | \$ 50,000 |
| | | Capital | \$ 42,000 |
| Total Assets | \$ 525,000 | Total Liabilities and Capital | \$ 525,000 |

Tabel 4.
Income Statement Of Bank XYZ , 2009

| Income Statement of Bank XYZ, December 31, 2009 | | |
|---|------------------|-------------------------------------|
| (Securitization) | | |
| Interest on mortgages | \$30,0000 | (6% on \$1,000,000 for 6 months) |
| Interest on consumer loans | \$40,000 | (8% interest on \$500,000) |
| Originations fees | \$80,000 | (2% origination fee on \$4,000,000) |
| | | |
| Servicing income | \$7,500 | (one and a half of 0.5% on |
| Gross Income | \$157,500 | \$1,000,000) |
| Less: Cost of bank credit | \$20,000 | |
| lines | \$ 4,330 | (4 times half of 1% on \$1,000,000) |
| Less: Interest costs on | \$ 4,500 | |
| deposits | | (1% interest on \$433,000) |
| Less: Interest costs on | \$128,670 | (9% interest on 50,000) |
| debentures | | |
| Net Income Before Tax | | |

(Source: *Asset Securitization*, Joseph C.Hu, 2011)

Results

Tabel 5.
Income Statement of Bank XYZ, December 31, 2009

| No Securitization | | Securitization | |
|---------------------------------|-------|---------------------------------|--------|
| ROA (<i>Return on Assets</i>) | 4.7% | ROA (<i>Return on Assets</i>) | 24% |
| ROE (<i>Return on Equity</i>) | 58.8% | ROE (<i>Return on Equity</i>) | 306.4% |

Banks that carry out asset securitization are proven to be able to increase the financial performance ratios of banks such as ABS, ROE, ROA (profitability). With asset securitization, banks can participate in supporting housing finance programs at low cost for the community and support infrastructure financing.

Analysis of the cost and benefit in carrying out asset securitization reveals that a company that securitizes assets can provide several benefits, such as maintaining consistent

CAR's (Capital Adequacy Ratio) growth, maintaining competitive advantage, improving asset and liability management. Based on this analysis, companies can increase liquidity by selling their receivables without relying on third-party funds. This method is a breakthrough in terms of financing so that it can make housing financing solutions cheaper and more affordable, and can reduce the housing backlog.

The Benefits of Asset Securitization for Banks

1. The Bank receives in securitizing assets are obtaining lower costs. Investors feel safer buying an instrument based on the guarantee of the instrument, as a result, the investors are willing to buy with a lower rate of return.
2. The need for funding and time frame can be met with the company's funding strategy. In this case, the company can adjust its funding in terms of duration and price basis.
3. Diversification of products from financing sources. Asset Securitization (Asset-Backed Securities-EBA) has made an increasing number of alternative sources of corporate financing, which have only issued capital and debt with third parties. This means that if management fails to get funds from third parties, financing using this securitization method will diversify the company's financing.
4. Through the securitization pattern, the company can perform accounting calculations in accordance with accounting principles.
5. With the increasing demand for companies to conduct securitization, companies can withdraw funds without having to disclose company information.

Tabel 5.
Descriptive Statistics

| | ROA | ABS | SIZE |
|-----------|------------|------------|-------------|
| Mean | 0,02849 | 1,13E+08 | 8,03E+08 |
| Maximum | 0,205 | 9,35E+08 | 2,95E+09 |
| Minimum | -0,01 | 0 | 26743114 |
| Std. Dev. | 0,046706 | 1,84E+08 | 8,37E+08 |

Based on table 4.5, the descriptive statistics above show the total observations of 144 data banks in ASEAN (Indonesia, Singapore, Thailand, Malaysia, and the Philippines). Based on the results Tabel 5 can be concluded as follows:

- The Return on Assets (ROA) variable has an average of 0.02849 and a standard deviation of 0.046706. The lowest value of Return on Assets of -0.01 and the highest value of 0.205. The variable Return on Assets (ROA) is the company's ability to maximize its assets to generate profits.
- The Asset-Backed Securities (ABS) variable has an average of 1.13E + 08 and a standard deviation of 1.84E + 08. The lowest value of Asset-Backed Securities 0.0000 and the highest value of 9.35E+08. Assets-Backed Securities Variable (ABS) is the process of obtaining a number of cash funds generated from housing loans (mortgages), the credit provided which is stored in a basket (pool) into tradable securities.
- The Size variable has an average of 8.03E + 08 and a standard deviation of 8.37E +08. The lowest value of Size 26743114 and the highest value of 2.95E + 09. Size is a bank that can take advantage of cost associated with economies of scale (Size) and a large capacity to diversify products and services.

Tabel 6.
The Results of Regression Analysis

| Variable | Dependent Variable-Return on Assets | | | |
|------------------------------|-------------------------------------|-------------|-------------|-------------|
| | Model 1 | | Model 2 | |
| | Coefficient | Probability | Coefficient | Probability |
| Asset Backed Securities | 6.88E-11 | 0.0145 | | |
| Size | -1.60E-11 | 0.6106 | | |
| Asset Backed Securities*Size | | | -4.85E-20 | 0.0252 |
| Adjusted R-squared | | 0.918482 | | |
| Probability (F-statistic) | | 0.000000 | | |

Based on Tabel 6, it is obtained a coefficient of 6.88E-11 and a probability ABS value of 0.0145 < 0.05 then H_0 is rejected, meaning that there is a positive effect of ABS (Asset-Backed Securities) on ROA (Return on Assets) in asset securitization on the financial performance of banks in Southeast Asia during the period 1998-2018. The bank's performance with the lowest ABS was XYZ Bank of 142.291 (million) (Malaysia) in 2010, while the highest was XYZ Bank of 783,128,000 (million) (Singapore) in 2015. The lowest ROA was XYZ Bank 0.11% (Malaysia) in 2015, while the highest ROA was XYZ Bank at 5.4% (Philippines) in 2005.

The results of this study are in line with research (Loutschina, 2011). Asset securitization provides banks with additional sources of loan financing and liquidity, as well as protecting banks' willingness to supply credit from scarcity in external markets. Banks can liquidate loans to finance the liquidity they need, they can also undertake to finance new loans, thus making banks less dependence on traditional sources of funds (deposits, savings, and current accounts).

The results of this study are in line with the research of (Casu, Clare, Sarkisyan, & Thomas, 2011). Securitization occurs when a bank transforms illiquid assets, which are generally held to maturity and transformed into liquid securities. This model of securitization transaction is originating bank transfers its assets (into a basket or known pool) into fixed asset cash flow to SPV (Special Purpose Vehicle) as a legal entity that will purchase the securities issued by the bank. Originating that is guaranteed by the asset to be stored in the pool. Asset transfer must meet the requirements as a "true sale", where the bank selling the asset must fully surrender its rights to the SPV and then book the assets sold through asset securitization are not recorded in the bank's financial statements.

Furthermore, the results of this study are ini line with the research of (Casu et al., 2011), (Tah & Martinez, 2016), (Kara et al., 2016). ABS (Asset-Backed Securities) has a positive relationship with the securitization of bank assets in improving performance and enhancing bank financial stability. Securitizing assets, it can reduce dependence on deposits, and through securitization of bank assets and it can diversify products that can provide lower costs. Further, increasing bank liquidity, it can reduce the threat of insolvency (default) besides, increased asset turnover which can increase profitability.

Based on Table 6, it is obtained a coefficient of $-1.60E-11$ and a probability Size value of $0.6106 > 0.05$, so H_0 is accepted, meaning that there is no influence between Size on ROA (Return on Assets) on asset securitization on the financial performance of banks in Southeast Asia in the 1998-2018 period. The performance of the bank with the lowest Size was XYZ Bank of 26,743,114 (million) (Indonesia) in 2004, while the highest Size was XYZ Bank of 2,952,903,000 (million) (Singapore) in 2015.

The results of this study are in line with research (Dietrich and Wanzenried, 2011). According to previous research that large banks and small banks can still do profitability before the economic crisis, this indicates that large banks can diversify products from large

sizes. However, after the crisis, large banks in Switzerland have experienced a decline in profitability compared to small banks in the three years since the crisis. The cause of the negative relationship between size and profitability is that large banks in Switzerland have relatively high levels of bad credit during the crisis and these large banks have an impact on decreasing profitability during the economic crisis. Therefore, the relationship between size and ROA (Return on Assets) has an insignificant relationship.

The results of this study are in line with research (Hoffmann, 2011). According to an empirical study of banks in the United States, it shows a decline of economies of scale, and this is due to the larger the bank the lower the profitability, the profitability is intended to improve the banking industry, for example, increasing IT programs with high technology so that the size will increase. The results of this study concluded that the size was negative for profitability.

Moreover, the results of this study are in line with the research of (Menicucci & Paolucci, 2016). Whereas, in this study the results are contradictory from the evidence of independent variables where the results are minimum and maximum, especially data on size and loan because several bank samples have different sizes. There are several banks that have a large size and have an impact on increasing CAR and Equity, but there are several small banks that have a small size and minus CAR and Equity so that the relationship with ROA is insignificant.

Based on Table 4.6, the coefficient of $-4.85E-20$ and the probability value of ABS after being given the moderating variable Size is $0.0252 < 0.05$, so H_0 is rejected, meaning that there is a negative influence between ABS after being given the moderating variable Size on ROA (Return on Assets) on securitization on performance bank finance in Southeast Asia in the period 1998-2018. The performance of banks that have ABS after being given the lowest size moderating variable is XYZ Bank of $4,1706E + 16$ (Malaysia) in 2015, while the highest is XYZ Bank which is $9,37488E + 16$ (Thailand) in 2011.

The results of this study are in line with Abbasi & Malik (2015)'s research. The effect of company growth and moderation will bring on positive profitability results. On the other hand, company growth does not significantly affect ROA. In addition, to the research model 2, that firm growth and moderation show a negative and significant influence on ROA. This

research is very helpful for management to focus not only on company growth but on company Size when examining company performance.

The results of this study are in line with research (Ali et al, 2016), arguing that the moderating effect on Size has an integrated relationship and its effect on company performance, based on the results of this study that the value of Size can be predicted in the model, but the results are not significant on moderation between the integration function and firm performance. Added, the results of the study (Ali et al, 2016) produce a significant negative effect on firm Size, which does not support a moderating relationship to company performance. The results of the study (Pervan and Visic, 2012) found that the moderate relationship between Size and profit is not significant.

The results of this study are in line with research of (Abbasi and Ali Malik, 2015), which states that firm Size has a negative and weak relationship with firm Size growth and profitability (ROA). The results of this study are in line with research of (Heffernan and Fu, 2010), the results of research on the performance of Chinese banks on net interest margins and economic value added are better than a return on average assets, added, the type of bank also affects profitability, but not on factors. Size, so it is concluded that the relationship between Size and ROA is not significant.

(Note: The authors are only using the bank's initials and country's origination on the above).

Determination Coefficient

Conclusion and Policy Implications

The coefficient of determination (R²) how measure the model's ability to explain the variation in the dependent variable. The coefficient of determination is between zero and one. The small value of R² means that the ability of the independent variables to explain the variation in the dependent variable is very limited. A value close to one means that the independent variable provides almost all the information needed to predict variations in the dependent variable (Gozali, 2017).

Based on Table 4.6, the result is evident from the value Prob (F-statistic) 0.000000 < 0.05. The amount of R² adjusted value is 0.918482 or 91.84% which means that all independent

variables ABS and Size, ABS after moderating intervention Size, has a significant effect on Return on Assets (ROA) simultaneously, while the remaining 0.081518 or 8.15% is explained by other variables which are not researched.

This paper has examined how the hypothesis on the role of ABS (Asset-Backed Securities) affects banking financial performance. The results have found that the ABS has shown a significant positive on ROA as an indicator of firm profitability. On the other hand, ABS has a negative relationship after the moderating variable Size (ABS*Size) is given to ROA (Return on Assets). Furthermore, the process of securitization has significantly changed the bank's role of acting as intermediaries between borrowers and depositors. These findings have implications for banks after securitizing its illiquid receivables loans which to obtain liquid funds and further support their loan portfolio without dependence on the customer deposits. Moreover, bank securitization improved the financial ratio such as ROA (profitability), Size, and reduces banks securitization's default risk and cost-efficiency.

Furthermore, the asset securitization ABS (Asset-Backed Securities) has a positive effect on ROA where the result is significant for the Banks to undertake asset securitization as a breakthrough to obtain funding in the capital market. In addition, asset securitization can improve the bank's financial ratios for example profitability ratios (ROA), capital adequacy ratios (CAR), and low loan loss provisions (LLP). The bank's CAR is not really concerned to maintain the CAR level because the bank can be independent increase its asset by selling bank loans receivable to the capital market and related to accounting policy which the bank does not have to record.

In addition, the advantages of the ASEAN (Southeast Asian Countries) economy and the development of banks securitization in ASEAN. ASEAN is part of the world's economic center. AEC (ASEAN Economic Community) was established in earlier 2010, countries in the region have created a global economic market as a production base and made the AEC market a single market with a big domestic market, the members of countries have carried out export and import trade at competitive prices. Further, most of the multi-national corporations (MNC) in the world have trade representative offices in Singapore. In line with the AEC global economic market, the role of the development of banks in ASEAN, as an example, banks in Singapore in the earlier 1990s, have carried out asset securitization transactions. Therefore, Singapore has made special attention to the development of banks in ASEAN including banks

that exist in regions such as Indonesia, Malaysia, Thailand, and the Philippines. Moreover, the role of banks in securitization also encourages foreign direct investment and portfolio investment to contribute to economic growth in the regions.

Future research of further investigation as follows: SME (Small Medium Enterprises) which is considered the member of SME is very large and has a strong influence on the Indonesian economy. Moreover, SME has proven during times of economic crisis that still exists while others are out of business. Therefore, the banks should be concerned with SME to provide working capital with affordable interest rates. Further, study new variables to make this research more interesting, to explore the effect of securitization on the bank financial performance, such as ROE (Return on Equity) profitability variable, DER liquidity variable (Debt to Equity Ratio), variable efficiency of BOPO (Operating Expenses, Operating Income) and NIM (Net Interest Margin). Moreover, the development of asset securitization is not only in the ASEAN regions but also in modern countries where the asset securitization system is already at advanced levels such as the United States, China, and India (as considered countries have big population). Finally, the government encouraged playing a role in asset securitization, as an example, forming secondary market institutions to provide tax convenience and ease of banking regulations to encourage the banks active in securitization.

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