ABSTRACT

High Non-Performing Loan (NPL) shows bank management's inability in managing bad debt. Accumulations of bad debts could be considered a red flag and of high possibility to give rise to more problems for banks in the future. In order to reduce NPL, banks can detect several factors that affect NPL. This study aims to examine the effect of Return-on-Asset (ROA), Liquidity (LQ), Capital Adequacy Ratio (CAR), dan Loan Growth (LGROWTH) on Non-Performing Loans at BKK Conventional Rural Banks (BPR BKK) in Central Java. The analysis is performed on Rural Banks with BKK status (BPR BKK) throughout Central Java for the period 2013 to 2022 using multiple linear regression Ordinary Least Squares model for each research model that has passed the classical assumption test.

The regressional results show that the correlation between ROA and NPL is negative and has a 5% significance, thus Hypothesis 1 could be confirmed. Since Liquidity proves to be positive and has its significance on a 5% level towards NPL, Hypothesis 2 could then be rejected. With CAR having relatively little to no effect on NPL, Hypothesis 3 could then be rejected. Furthermore, since LGROWTH proved to be negative with a 5% significance on NPL, Hypothesis 4 is able to be rejected as well. This paper could serve as a reference towards the decisions that banks have to make in managing bad debt.

Keywords : Non-Performing Loan, Return-on-Asset, Liquidity, Capital Adequacy Ratio, Loan Growth, BPR BKK Jawa Tengah