ABSTRACT

This study aims to examine the effect of the amount of credit proxied as the Loan to Deposit Ratio (LDR) on profitability (ROA) with credit risk using Non Performed Loans (NPL) as an intervening variable. The variables used are Return on Assets (ROA) as the dependent variable, LDR as the independent variable and NPL as the mediating variable.

The population in this study are Rural Banks (BPR) registered with the Financial Services Authority (OJK) for 2019-2021 during the Covid-19 pandemic. The research sample was selected using purposive sampling method with the Slovin formula. So that there are 50 conventional rural banks each year that meet the criteria as a research sample. The analytical method used in this research is path analysis.

The results of this study indicate that credit risk as a proxy for Non Performed Loans (NPL) has no significant effect on Return on Assets (ROA) at rural banks in Central Java. Meanwhile, the amount of credit proxied as the Loan to Deposit Ratio (LDR) has a significant effect on Return on Assets (ROA) and Non Performed Loans (NPL). In addition, the amount of credit (LDR) can affect the profitability (ROA) of rural banks in Central Java without going through/involving credit risk (NPL) as a mediating variable. The mediation model that occurs is partial mediation.

Keywords: Loan to Deposit Ratio, Non Performed Loan, Profitability, Return on Assets