ABSTRACT

This research aims to investigate the influence of key variables, namely Loan to Deposit Ratio (LDR), Non Performing Loan (NPL), Capital Adequacy Ratio (CAR), and Cost Efficiency Ratio (CER) on the Return on Assets (ROA) of banks in Indonesia. Data were obtained from Bloomberg and encompassed a total of 35 banks registered in Indonesia during the period 2018-2022.

The panel data regression method, which allows for analysis using panel data (cross-sectional data from time and observational units), was employed to examine the relationship between independent and dependent variables.

The results of the analysis indicate that both LDR and NPL significantly affect the ROA of banks, underscoring the importance of effective credit management and careful risk management in achieving optimal financial performance. On the other hand, although CAR did not prove to have a significant influence, this finding highlights the importance of maintaining adequate levels of bank capital to safeguard the stability of the banking sector. Furthermore, cost efficiency, as reflected in CER, was found to have a significant positive impact on bank ROA, indicating the need for a focus on operational efficiency strategies and appropriate resource allocation. In conclusion, this research provides a deeper understanding of the factors influencing the financial performance of banks in Indonesia and emphasizes the importance of effective credit risk management and cost efficiency in achieving growth and stability in the banking sector in the future.