ABSTRACT

This study aims to examine internal and external factors on banking profitability. Internal factors are measured by LDR (Loan to Deposit Ratio), while external factors are represented bv the GDP growth and inflation. Profitability is assessed through ROA (Return on Assets) as the dependent variable. The study focused on the Covid-19 pandemic period, specifically from Q2 2020 to Q3 2023.

The sample on this study was selected using purposive sampling, resulting in 42 banks listed on Indonesian Stock Exchange, 1 inflation period and 1 GDP growth period, totaling 588 observations. The data is panel cross-sectional and time series, analyzed using panel regression methods with Eviews 12 and Sobel test for mediation analysis.

The analysis and hypothesis testing show that NPL (Non-Performing Loan) is the only variable with a significant negative direct effect on ROA (Return on Assets). While other variables are not significant. As a mediation variable, NPL can't mediate the independent variables impact due to week relationship between the independent variables and NPL.

Keywords: GDP growth, inflation, LDR (Loan to Deposit Ratio), NPL (Non-Performing Loan), ROA (Return on Assets)