ABSTRACT

The banking sector serves as an intermediary institution that plays a crucial role in the economy by channeling financial resources from surplus economic units to deficit economic units. Banks must maintain strong financial performance through their profitability to effectively carry out their intermediation function. However, in their efforts to enhance profitability, banks often face various risks. Therefore, it is essential to analyze the factors influencing banking performance through profitability. This study aims to examine the impact of liquidity and solvency on banking profitability. Additionally, this research investigates asset quality as a moderating factor in the relationship between these variables.

This study utilizes data from the annual financial reports of conventional commercial banks listed on the Indonesia Stock Exchange (IDX) from 2017 to 2023, resulting in a total of 98 samples. The research employs multiple regression analysis and moderated regression analysis (MRA) to assess the effects of liquidity and solvency on profitability, as well as the moderating effect of asset quality.

The research findings indicate that liquidity has a negative effect on profitability, which contradicts the formulated hypothesis. Furthermore, solvency does not have a significant effect on profitability. Furthermore, the study reveals that asset quality moderates the relationship between solvency and profitability. However, asset quality does not moderate the relationship between liquidity and profitability.

Keywords: Profitability, Liquidity, Solvability, Asset Quality, Conventional Commercial Bank