ABSTRACT

This study examines the impact of Expected Credit Loss (ECL) and Capital Adequacy Ratio (CAR) on banking performance, while assessing Intellectual Capital's (IC) potential moderating influence. The research narrows its scope to banking sector companies traded publicly on the IDX, covering the four-year span between 2020 and 2023. Using a purposive sampling approach and SEM analysis with SmartPLS, the research reveals multiple statistically significant outcomes. Firstly, it is found that ECL positively and significantly impact on financial performance, suggesting that effective management of credit risk through ECL provisions helps banks maintain profitability and stability. Similarly, CAR contributes positively to financial performance, emphasizing the critical role of sufficient capital reserves in maintaining operational stability and meeting regulatory standard. However, findings related IC's moderating effects show varied results. This indicates a significant reinforcement of the connection between ECL and financial performance, indicating that institutions with robust intellectual capital can better utilize their intangible assets to manage credit risk and improve financial results. On the other hand, IC fails to serve as an effective moderator between CAR and financial performance, implying that the capital adequacy framework is less reliant on intangible factors such as knowledge, innovation, and relational capital.

Keywords: Expected Credit Loss (ECL), Capital Adequacy Ratio (CAR), Financial Performance, Intellectual Capital (IC).