

ABSTRACT

This study investigates how Non-Performing Loans (NPL), Loan to Deposit Ratio (LDR), and Cash Ratio affect the profitability of Rural Credit Banks (BPR) in Riau Islands Province, measured by Return on Assets (ROA). It also explores whether Operating Expenses to Operating Income (BOPO) mediates the relationship between NPL and ROA.

Using panel data from all 75 BPRs in the province from 2020 to 2024, the study applies Panel Data Regression and Path Analysis to evaluate the mediation model.

The results show that NPL, LDR, and Cash Ratio collectively influence ROA. Individually, NPL and LDR negatively affect profitability, whereas Cash Ratio has a positive effect. Moreover, BOPO significantly mediates the impact of NPL on ROA, as higher NPLs increase BOPO, which in turn reduces bank profitability.

Keywords: *NPL, LDR, Cash Ratio, ROA, BOPO*



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