ABSTRACT

This study aims to analyze the effect of banking financial ratios, namely Non-Performing Loan (NPL), Capital Adequacy Ratio (CAR), Net Interest Margin (NIM), and Operating Expenses to Operating Income (BOPO) on bank profitability as proxied by Return on Assets (ROA). In addition, this study incorporates Bank Size as a control variable to examine the extent to which firm size strengthens the model's ability to explain variations in banking profitability. The research object consists of conventional commercial banks listed on the Indonesia Stock Exchange (IDX) during the 2019-2023 period.

This study employs a quantitative approach using panel data regression analysis with the application of the Fixed Effect Model (FEM). The research sample consists of 23 conventional commercial banks selected through the purposive sampling method, resulting in a total of 115 observations. The independent variables analyzed include NPL, CAR, NIM, and BOPO, while ROA is used as the dependent variable and Bank Size serves as the control variable to examine improvements in the model's explanatory power.

The results indicate that CAR and NIM have a positive and significant effect on ROA, while BOPO has a negative and significant effect on ROA. NPL has a negative and statistically significant effect on ROA at the 10% significance level (*) in the model that includes the control variable. Furthermore, the inclusion of Bank Size as a control variable improves the model's ability to explain variations in ROA, as indicated by the increase in the coefficient of determination from 78.87% to 81.62%.

Keywords: ROA, NPL, CAR, NIM, BOPO, Bank Size

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