ABSTRACT

The aims of this research is to examine the effect of lending scale, credit risk, equity capital, loan deposit ratio, management efficiency, inflation for bank profitability. This research using lending scale measured by loan outstanding to total asset (LAR), credit risk measured by credit provision to total loan oustanding (CR), equity capital measured by equity to total asset ratio (CAP), loan to deposit ratio measured by total loan to total deposit (LDR), and management efficiency measured by operating cost to total income (CTI) and Inflation measured by IHK index (INFL) as independent variable, and then bank's profitability which is measured by net interest margin as a dependent variable. Net interest margin is one of indicator of bank profitability, especially in the effort to create interest income. In addition, bank age and bank size is used as a control variable.

This research using secondary data and the population of this research is 40 banks listed on Indonesian Stock Exchange in period 2015 – 2019. By purposive sampling methods, 37 conventional commercial banks were obtained as the sample of this research. The analytical method used in this research is multiple linear regression analysis.

The results of this research indicated that equity capital and inflation has a positive and significant effect on bank profitability. In addition, management efficiency has a negative and significant effect on bank profitability which is measured by net interest margin. Lending scale, credit risk, loan deposit ratio has positive but not significant on bank profitability.

Keywords : *bank profitability, net interest margin, lending scale, credit risk, equity capital, loan to deposit ratio, management efficiency, inflation, bank age, bank size*