

The Effect of Capital Adequacy Ratio, Non Performing Loan, and Loan to Deposit Ratio on the Profitability

Sinta Melinda¹, Tri Marlina²

^{1,2}*Institut Bisnis dan Informatika Kesatuan, Bogor, Indonesia*

tri.marlina.35@ibik.ac.id

Abstract

Banking has an important role to improve the economy of a country. The banking sector has the potential and opportunity that is very large in its application as a source of funds and financing for the public and business entities. Therefore to answer the challenge every company should be able to show the performance of good company and have a mature strategy in the entire field. The Bank must be managed well in order to earn profits and avoid losses, because losses that occur can affect the level of health and financial performance of banks. Assessment of financial performance in the banking sector can use a variety of financial ratios as a measure to make it easier to know the financial condition of being faced by the company. This study aims to investigate: the effect of CAR (Capital Adequacy Ratio) on ROA (Return on Assets), the effect of NPL (Non Performing Loan) on ROA (Return on Assets), and the effect of LDR (Loan to Deposit Ratio) on ROA (Return on Assets), and the simultaneous effects of CAR (Capital Adequacy Ratio), NPL (Non Performing Loan), and LDR (Loan to Deposit Ratio) on ROA (Return on Assets) in banks listed in the Indonesian Stock Exchange (IDX) in 2016-2019. In partially the result showed that CAR (Capital Adequacy Ratio) has a positive and significant effect on ROA (Return on Assets), while NPL (Non Performing Loan), and LDR (Loan to Deposit Ratio) has negative and significant effect on ROA (Return on Assets). In simultaneously CAR (Capital Adequacy Ratio), NPL (Non Performing Loan), and LDR (Loan to Deposit Ratio) has positive and significant effect on ROA (Return on Assets).

Keywords: CAR, NPL, LDR, and ROA.

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