ISSN : 2722-791X (Online)

Point of View Research Management

https://journal.accountingpointofview.id/index.php/povrema

The Impact of Liquidity and Credit Risk on Banking Profitability in Indonesia

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Submission Info:

Received: 16, July 2022
Accepted: 28, August 2022
Available Online: 31, August 2022

Keyword:

Liquidity
Credit Risk
Profitability

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Abstract

This study aimed to determine the effect of liquidity and credit risk on profitability. This study uses a quantitative research approach. This study uses a descriptive analysis method, namely an analytical method in which the data are collected, classified, analyzed, and interpreted objectively to provide information and an overview of the topics discussed. The population used are banking companies that have been listed on the Indonesia Stock Exchange from 2018 to 2020, as many as 45 banking companies. The data that has been collected will be analyzed through several stages of testing. The first stage is to do a descriptive analysis. The second stage is to test the classical assumption, which consists of a multicollinearity test, a normality test, and a heteroscedasticity test. The third stage is to test all hypotheses proposed in this study, which will be proven through the partial, simultaneous, and coefficient of determination test. The analysis shows that the liquidity variable has no significant effect on profitability. Then the statistical analysis results for the Credit Risk variable show that credit risk has no considerable impact on Profitability.

Introduction

Today the world economy is overgrowing along with the needs and desires of the community for the fulfillment of efforts to achieve prosperity. Where to develop a business or creating jobs requires a large amount of capital, which may not be owned by someone who needs these funds. Meanwhile, the prospect of a successful business is in sight and is only hindered by insufficient funds to be used as business capital. Thus, the banking industry is present by offering convenience to get the money loans needed by the community. However, like other industries that exist and operate, the

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banking industry cannot be separated from its primary goal, which is to generate profits. Profitability ratios can measure the banking profit, where profitability shows the company's ability to generate earnings during a specific period. In this case, profitability can deliver the performance of banking companies.

On the other hand, the Bank can earn profit from interest on loans provided by the bank. However, with the function of banks to help their customers' financial problems, banks must think about how to generate profits without making it difficult for customers. Therefore, the bank must consider the right amount of interest to provide as much profit as possible for the bank and the public who will become customers. However, before giving large amounts to customers, banks must also consider the risks of granting such loans. One of the risks that may arise is bad credit. Thus, banks must consider solutions to minimize the possibility of these unwanted risks occurring. The answers that the bank may provide can be adjusted to the size of the possible danger.

Banks also have other obligations, namely, to provide smooth service to customers who want to save or withdraw their money. Thus, bank liquidity also needs to be considered. Because apart from loan interest, banks can also generate profits by turning the money collected from these customers into investments, either in the form of shares or other states. Thus, the bank must also pay attention to the level of liquidity so that the bank can be said to be good and get the complete trust of customers. Financial ratios can be used as a tool to assess and compare the financial performance of the bank with the financial performance of other banks. These financial ratios can also be used as a source of information that can be useful for management and bank owners in making decisions. The profitability ratio is one of the critical financial ratios to assess the company's health. Where the bank can be said to be good enough and feasible to operate continuously (Going Concern) can be seen from the level of profitability. So, this is very helpful for interested parties to see indirectly how the company's operations are and what decisions must be made regarding this matter. The fluctuations in the profitability of each banking company can be caused by the liquidity and credit risk of these companies.

So far, there have been many significant problems in the financial world that, in the end, had a considerable influence on the existence of banking in the world. However, many banks still believe that there are no banks that fall and are liquidated because of the high ratio of non-performing loans (Non-Performing Loans). At the same time, most bankers believe that poor or unhealthy bank liquidity can kill the bank's operations, so the bank is closed.

Table 1. Phenomenon of Average LDR, NPL, and ROA . variables

Year	LDR	NPL	ROA
2018	92%	1,68%	1,72%
2019	98%	1,63%	1,68%
2020	89,8%	1,44%	1,67%

Source: Data processed, Year 2020

The loan to deposit ratio (LDR) uses data for 2018-2020. LDR compares the total of all loans given to customers and the total third-party funds provided by banks, thus showing that the highest average LDR value was 98% in 2019 and the lowest LDR average value was 89.8% in 2020. Non-

performing loans (NPL) use data for the 2018-2020 period. NPL measures the level of non-performing loans in the company so that the smaller the NPL value indicates that the company is good, with the highest average NPL value of 1.68% in 2018 and the lowest average value of 1.44% in 2020.

Return on assets (ROA) uses data for 2018-2020. ROA measures the company's ability to generate profits by utilizing its assets; the higher the ROA indicates, the more influential the company uses its assets to generate net income after tax. So, it shows that the highest average ROA was 1.72% in 2018, and the lowest average ROA was 1.67% in 2020. Liquidity is the ability of a company to meet short-term obligations (debt). This means that if the company is billed, the company will be able to meet the deficit, especially debt that is due. If a bank's liquidity level is high, then the level of profitability decreases. Conversely, if the bank experiences a low level of liquidity, it will cause an increase in the level of profitability (Mahulae, 2020). This is by the research conducted by (Supriono, 2017; Wildan, 2019), which concluded that liquidity affects profitability. This is different from the study conducted by Ivan, (2019) which concluded that liquidity does not affect profitability.

The role of banks in providing credit with low risk will generally result in enormous profitability (profits). On the other hand, the role of banks in giving high-risk credit means that the bank's chances of obtaining profitability (profits) are getting smaller (Alfiani & Nurmala, 2020). This is to research conducted by (Anwar et al., 2019; Gabrili, 2015), who concluded that credit risk has a negative and significant effect on profitability. In contrast to the research conducted by Supriono (2017), which concluded that credit risk has no impact on profitability. The reason for choosing a banking company as the object of research is because banking is a type of company that is full of risk because it involves managing public money, especially in the form of credit, so that it can cause fluctuations in profit or profitability. Based on this phenomenon, the researcher is interested in researching the Analysis of the Impact of Liquidity and Credit Risk on Profitability in Banking Companies Listed on the Indonesia Stock Exchange.

Theoretical Framework and Hypotheses

Bank

According to Law Number 10 of 1998 concerning banking, what is meant by a bank is a business entity that collects funds from the public in the form of savings and distributes them to the public in the form of credit and or other forms in order to improve the standard of living of the people at large. According to Law Number 10 of 1998, the types of banks are divided into two types: commercial banks and people's credit banks. Commercial banks carry out business activities conventionally or based on sharia principles which provide services in payment traffic (Narteh, 2018). The nature of the services provided is general because it can provide all existing banking services. Likewise, the area of operation can be carried out throughout the region. Commercial banks are often called commercial banks (Commercial Bank). Rural Banks (BPR) are banks that carry out business activities conventionally or based on the sharia principle, which does not provide services in payment traffic. This means that the activities of BPR are much narrower when compared to the activities of commercial banks (Narteh, 2018).

Liquidity

Liquidity management is one of the complex problems in bank operational activities; this is because the funds managed by banks are primarily funding from the public, which is short-term in nature and can be withdrawn at any time. Rahmawati (2017) states that liquidity describes a company's ability to meet its short-term obligations smoothly and on time. Meidiyustiani (2016) says that liquidity is a term used to indicate the stock of cash and other assets quickly converted into cash. A bank is considered liquid if it has sufficient cash or other liquid assets, along with the ability to rapidly increase the amount of funds from other sources to meet payment obligations and other financial commitments promptly. According to generally accepted terminology in the banking world, it can be stated that the types of liquid assets owned by Bank Dewi (2016) are 1) Cash or cash (paper and metal) stored in the bank's safe. 2) The balance of the funds owned by the bank in the central bank (BI Demand Deposit Balance). 3) Claims or deposits with other banks, including correspondent banks. 4) Checks received are still being cashed at the central and correspondent banks. In banking, the four types of instruments or liquid assets are often called the money position of the bank concerned at a particular time.

Credit

According to Banking Law Number 14 of 1967, it is stated that credit is a provision of money or equivalent claims based on an agreement or loan agreement between a bank and another party, in which case the borrower is obliged to repay the debt after a certain period. With a predetermined amount of interest (Abbas et al., 2019). Credit is a financial facility that allows a person or business entity to borrow money to buy a product and repay it within a specified period (Bao et al., 2019). Giving credit also has a purpose and function. According to Byström (2019), the purpose of providing credit is 1) Helping the Customer's Business. This goal is to help business customers who need investment funds and working capital funds. 2) Seeking Profits. That is aimed at obtaining profits in the form of interest received by the bank as remuneration and credit administration fees charged to the customer. 3) Assisting the Government. For the government, the more credit disbursed by the banking sector, the better, considering that more credit means increased development in various sectors.

Credit Risk

According to Das (2019), credit risk is the risk that occurs because the repayment of a loan or principal loan cannot be made at maturity. According to Ekinci & Poyraz (2019), risk can be interpreted as uncertainty about a situation that will occur later (future), with decisions made based on various considerations at this time. So, risk management is a structured approach to managing the uncertainty related to the threat of a series of human activities, including risk assessment, developing strategies to manage it, and risk mitigation by using empowerment or resource management (Gadzo et al., 2019). One of the risks that can occur, namely credit risk (credit risk), is the risk of loss associated with the possibility of the counter party's failure to fulfill its obligations or the risk that the debtor will not repay the debt. Credit risk is the risk of loss when the borrower is unable and or unwilling to fulfill the obligation to repay the borrowed funds in full at maturity or after that (Abbas et al., 2019). Credit risk is calculated by non-performing loans (NPL) because NPL can be used to

measure the extent to which existing non-performing loans can be met with earning assets owned by a bank. Non-performing loans/gross NPLs are the ratio between bad loans and total loans disbursed by banks (Bao et al., 2019).

Credit risk factors include various factors that can affect a borrower's ability to repay the loan in full, as well as factors that affect banks to settle non-performing loans (Non-Performance Loans / NPLs) (Byström, 2019). As a result of these factors, actual losses towards the end of the debt recovery process can also affect the bank's capital adequacy (Das, 2019). An inadequate credit environment will result in higher credit risk borne by the bank; for example, the higher the interest rate applied by a bank to loans, the higher the level of risk faced; in other words, the higher the counterparty level of the bank's customers. (Bao et al., 2019). In this credit environment, good faith and the ability of bank employees or officials significantly affect the credit risk faced by a bank where if the employee or official of a bank does not have the will of a bank or cannot overcome credit problems, the level of credit risk faced by the bank will get bigger and vice versa (Byström, 2019). In terms of policies and procedures for granting credit, several things can affect credit risk, namely 1) Credit planning; if a loan to be extended has been planned properly, then the credit risk that the bank will face will be more minor, and vice versa. 2) Credit approval: If the bank in granting credit approval has considered the 5C elements as previously explained, the bank's credit risk will be reduced. Credit review, the purpose of this study is to find out the problem loans and then look for the problem to find a solution for the credit. If this is done regularly, the bank can reduce the level of bad loans that may occur (Abbas et al., 2019). Administration of credit files, poor administration of credit files at a bank will make it difficult for banks to find out early about non-performing loans so that the level of credit risk faced by the bank will be higher and vice versa (Bao et al., 2019). The economic growth of a country will significantly affect the credit risk faced by banks, where the decline in a country's economic growth will result in a decrease in the income of companies that are debtor customers (Das, 2019). With the decline in income level, customers will not be able to repay loans provided by banks (Abbas et al., 2019).

Profitability

In general, profitability, commonly referred to as profitability, is the ability of a company to generate profits during a specific period (Abbas et al., 2019). The company's profitability shows the comparison between profits and assets or capital that generates these profits. Profitability shows the company's ability to generate profits during a specific period. The company's success measures the profitability of a company and the ability to use its assets productively, the profitability of a company can be known by comparing the profits earned in a period in a period with the total assets or capital of the company (Alfiani & Nurmala, 2020). Mahulae (2020) states that in practice, the profitability ratios that can be used are 1) Net Profit Margin or net profit margin is a measure of profit by comparing profit after interest and tax compared to sales. 2) Return on Equity (ROE), or the return on equity or profitability of own capital, is a ratio to measure net profit after tax with own capital. 3) Return on Investment (ROI) or return on total assets (ROA) is a ratio that shows the return on the total assets used in the company. 4) Earning per Share (EPS), or the ratio of earnings per share or also called the

book value ratio is a ratio to measure the success of management in achieving profits for shareholders (Christine et al., 2019).

Hypothesis

The hypothesis is a temporary answer to the research problem formulation, where the research problem formulation has been stated in the form of a question sentence. Based on the theory above and the background as well as the main problem, the following research hypotheses can be put forward:

H1: Liquidity has no significant effect on profitability in banking companies listed on the Indonesia Stock Exchange.

H2: Credit risk has no significant effect on profitability in banking companies listed on the Indonesia Stock Exchange

H3: Liquidity and credit risk simultaneously have no significant effect on profitability in banking companies listed on the Indonesia Stock Exchange.

Research Method

This study uses a quantitative research approach. This study uses a descriptive analysis method, namely an analytical method in which the data are collected, classified, analyzed, and interpreted objectively to provide information and an overview of the topics discussed. This study examines the effect of Liquidity and Credit Risk on Profitability. This study takes data from the Indonesian Stock Exchange Investment Gallery STIEM Bongaya. In this study, the population used is banking companies that have been listed on the Indonesia Stock Exchange from 2018 to 2020, as many as 45 banking companies. The sample is part of the number and characteristics possessed by the population. For this reason, samples taken from the population must be truly representative. Sampling is based on Purposive Sampling, a sampling technique based on the subjective considerations of researchers tailored to the research objectives, the criteria for selecting samples in this study are 1) Banking Companies listed on the Indonesia Stock Exchange in 2018-2020. 2) Banking companies that do not have complete financial statement data for 2018-2020. 3) Banking companies that suffer losses. Based on the criteria, the researcher determines the number of samples used in the research is 69 financial statements from 23 banking companies listed on the Indonesia Stock Exchange for 2018-2020. The data that has been collected will be analyzed through several stages of testing. The first stage is to do a descriptive analysis. The second stage tests the classical assumption, consisting of multicollinearity and normalitystand heteroscedasticity tests. The third stage is to test all hypotheses proposed in this study, which will be proven through the partial, simultaneous, and coefficient of determination test.

Table 2. Operationalization Variable

Variable	Indicator	Major Reference
Liquidity	$\text{LDR} = \frac{\text{Credit}}{\text{Third}-\text{Party Funds}}$	(Agustia & Suryani, 2018; Masyita & Harahap, 2018)
Credit Risk	$\text{NPL} = \frac{\text{Trouble Credit}}{\text{Total Credit}}$	(Hassan et al., 2019; Shen et al., 2019)
Profitability	$\text{ROA} = \frac{\text{Net profit}}{\text{Total Asset}}$	(Hirdinis, 2019; MA'ARIF, 2019)

Data Analysis and Discussion

Data Analysis

Descriptive statistics function as a data analyzer by describing the data that has been collected. This study describes each variable's average (mean), maximum value, minimum value, and standard deviation so contextually it can be more easily understood. The variables used in this study are the dependent and independent variables. The dependent variable in this study is profitability which is proxied by ROA (return on assets). In contrast, the independent variable in this study is liquidity which is proxied by LDR (loan to deposit ratio), and credit risk is proxied by NPL (non-performing loan).

Table 3. Descriptive Statistical Test Results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
LDR	69	13.9700	113.5000	79.367681	19.8149789
NPL	69	.0000	4.9200	1.929855	1.1972253
ROA	69	.1000	4.0000	1.399275	1.1394069
Valid N (listwise)	69				

Source: (SPSS Output. Version 22) 2022

Based on the tests that have been carried out, the following explanation is obtained for each variable: Based on the test results in table 3, it is known that the LDR value of the sample has a minimum value of 13.9700 and a maximum value of 113.5000. the sample in this study ranged from 13.9700 to 113.5000 with a mean value of 79.367681 and a standard deviation of 19.8149789, which means that, in general, the liquidity of the sample in this study has increased. The company with the lowest LDR value is BMRI 2019. At the same time, the company with the highest liquidity value is BBTN 2019. The credit risk value of the sample has a minimum value of 0.0000 and a maximum value of 4.9200. These results indicate that the amount of credit risk sampled in this study ranges from 0.0000 to 4.9200 with a mean value of 1.929855 and a standard deviation of 1.1972253, which means that, generally, the credit risk sampled in this study has decreased. The company with the lowest NPL value is BACA 2020. At the same time, the company with the highest NPL is BEKS 2018. The ROA value of the sample has a minimum value of 0.1000 and a maximum value of 4,0000. These results

indicate that the ROA of the sample in this study ranges from 0.1000 to 4,0000 with a mean value of 1.399275 and a standard deviation of 1.1394069, which generally means that the dividend policy sampled in this study has increased. The company with the lowest ROA value is BGTG 2020, while the company with the highest ROA value is BBCA 2018.

This test is to test whether the data from each research variable is normally distributed or not. This test was performed using the Kolmogorov-Smirnov (KS) statistical test. table 4 shows that kolmogorov - smirnov with Asymp value. sig. (2-tailed) of 0.200 which is greater than 0.05 so it can be said that the data is normally distributed.

Tabel 4. One-sample kolmogorov smirnof

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Predicted Value
N		69
Normal Parameters[a,b]	Mean	1.3992754
	Std. Deviation	.33007396
Most Extreme Differences	Absolute	.094
	Positive	.094
	Negative	-.069
Test Statistic		.094
Asymp. Sig. (2-tailed)		.200[c,d]

Source: (SPSS Output. Version 22) 2022

Multicollinearity test is used to test whether in the regression model there is a correlation between variables or not. If the tolerance value is > 0.1 and VIF < 10, then the data is declared to have no multicollinearity problem. Table 5 shows that the tolerance value for the loan to deposit ratio (XI) and non-performing loan (X2) variables, namely, 0.962 is more significant than 0.10. The VIF value for the loan to deposit ratio (XI) and non-performing loans (X2) variables, 1.039, is less than 10.00. So, it can be concluded that the tested data does not have multicollinearity problems.

Table 5. Multicollinearity Test Results

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
	(Constant)		
	LDR	.962	1.039
	NPL	.962	1.039

a. Dependent Variabel: ROA

Source: (SPSS Output. Version 22) 2022

The heteroscedasticity test aims to test whether there is an inequality of variance in the regression model from the residuals of one observer to another. Suppose the variance of the residuals of one other observer remains. Then it is called homoscedasticity, and if it is different, it is called heteroscedasticity, and if it is different, it is called heteroscedasticity. If the sig value > 0.05, there is no heteroscedasticity problem and vice versa. The lesser test carried out the heteroscedasticity test used in this study. This geyser test proposes regressing the residual's absolute value on the independent variable. Table 6 shows that the independent variable, namely the loan to deposit ratio, has a sig value

of 0.474 greater than 0.05, and the non-performing loan variable has a sig value of 0.128 greater than 0.05. Thus, all independent variables are free from heteroscedasticity problems.

Table 6. Heteroscedasticity Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.586	.526		1.113	.270
	LDR	-.005	.006	-.088	-.720	.474
	NPL	-.164	.106	-.188	-1.540	.128

a. Dependent Variabel: LN_Y

Source: (SPSS Output. Version 22) 2022

This analysis measures the strength of two or more variables and shows the direction of the relationship between the dependent variable and the independent variable. Multiple regression analysis techniques were carried out with the help of statistical data management programs.

Table 7. Multiple Regression Analysis

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.597	.566		4.591	.000
	LDR	-.011	.007	-.187	-1.554	.125
	NPL	-.179	.114	-.188	-1.568	.122

a. Dependent Variabel: ROA

Source: (SPSS Output. Version 22) 2022

Based on table 7, a regression equation can be formulated to determine the effect of liquidity and credit risk on profitability as follows:

$$Y = 2.597 - 0.011X_1 - 0.179X_2.$$

The constant value ($_a$) = 2,597 means that if there is no change in liquidity and credit risk (independent variable). Then the profitability value of 2.597 is a constant value for the dependent variable. The regression coefficient B_1 = -0.011, which means that when liquidity increases by 1%, it will affect the increase in profitability by -0.011. The regression coefficient value B_2 = -0.179, which means that when credit risk increases by 1%, it will affect the increase in dividend policy by -0.179. The coefficient of determination essentially measures how far the model can explain the variation of the independent variables. The value of the coefficient of determination is zero and one. A small value of R2 means the ability of the independent variable to provide almost all the information needed to predict the variables.

Table 8. Coefficient of Determination Test (R2)

Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.290[a]	.084	.056	1.1069501	1

a. Predictors: (Constant), NPL, LDR

Source: (SPSS Output. Version 22) 2022

Table 8 shows that the value of R square (R^2) used to calculate the effect of the independent variables (XI and X2) on the dependent variable (Y) is 0.084 or 8.4%. This means that loan-to-deposit ratios and non-performing loans influence an 8.4% asset return. Partial coefficient testing is to determine the effect of each independent variable partially (alone) on the dependent variable. The t-count value is -0.011, and the magnitude of the t-table is at the 95% confidence level. The degree of freedom obtained from (df = 69-1-1 = 67) the t-table value = 1.996008, which is calculated by using the MsExcel formula by =TINV (5%,67) then enter. Therefore, the t-count -0.011 is smaller than the t-table with a significance of t (0.125) more significant than a = 0.05, so Ho is accepted, and Ha is rejected. This means that with a 95% confidence level, it can be said that liquidity has no significant effect on profitability in banking companies listed on the Indonesia Stock Exchange. The t-count value is -0.179 while the magnitude of the t-table is at the 95% confidence level, and the degrees of freedom obtained from (df= 69 -1-1= 67) then the t-table value = 1.996008 which is calculated by using the MsExcel formula by =TINV (5%;67) then enter. Therefore, count -0.179 is smaller than the t-table with a significance of t (0.122) greater than a = 0.05, so Ho is accepted, and Ha is rejected. This means that with a 95% confidence level, it can be said that credit risk has no significant effect on profitability in banking companies listed on the Indonesia Stock Exchange.

Table 9. Simultaneous Test Results (F test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.409	2	3.704	3.023	.055[b]
	Residual	80.872	66	1.225		
	Total	88.281	68			

Source: (SPSS Output. Version 22) 2022

The data in table 9 shows the F-count value of 3.023 and the F-table at the 95% confidence level and the degrees of freedom (2:69) obtained from (df = 69-2 = 67) then the F-table value = 3.133762 which is calculated using the formula MsExcel =FINV (5%;2;67) then enter. Therefore, the F-count 3.023 is smaller than the F-table, so with an error of 5% (a = 0.05) Ho is accepted, and Ha is rejected. This means that with a 95% confidence level, it can be said that liquidity participation and credit risk together have no significant effect on the profitability of banking companies listed on the Indonesia Stock Exchange.

Discussion

Statistical analysis results for the liquidity variable (LDR) show that the LDR regression coefficient value is positive at -0.011. From the t-test results for the LDR variable, a significance value of 0.125 and more excellent than 0.05 means that the liquidity variable has no effect. Significant to

profitability. This means that if there is an increase and decrease in the level of liquidity, it will not affect the company's profitability theoretically; if the company's liquidity increases, then the profit earned by the company will also be higher, but the results of this study are different because banks that have a high LDR value do not always have a high LDR value. Positive impact on banks. In this study, several banks do not have a lot of third-party funds that have not been channeled effectively; this causes the income earned by the bank to decrease. This study's results differ from those of Nazilatul Mukaromah & Supriono (2020), which in their research results suggest that liquidity has a positive and insignificant effect on profitability.

Statistical analysis for the Credit Risk variable shows that the NPL regression coefficient value is negative -0.179 from the t-test results for the NPL variable; a significance value of 0.122 is obtained. Because the coefficient value is negative and the significance value is more significant than 0.05, the credit risk variable has no significant effect on profitability. This means that if there is an increase in credit risk, it will reduce the company's profitability. NPL reflects the amount of credit risk faced by the bank; the smaller the NPL, the smaller the credit risk borne by the bank. If the NPL is high, the bank's opportunity to earn a lousy profit affects the planned profit projection, directly affecting the company's profitability. The results of this study are consistent with the results of Nazilatul Mukaromah and Supriono (2017), whose research results show that credit risk has no significant effect on profitability.

Conclusions

Based on the data analysis, research results prove the appointed company's hypothesis regarding liquidity and credit risk that affect the profitability of banks listed on the Indonesia Stock Exchange. It has been explained in CHAPTER V on the research results. It can be concluded that the results of statistical analysis for the liquidity variable (LDR) indicate that the LDR regression coefficient value is positive at -0.011. From the t-test results for the LDR variable, a significance value of 0.125 and more excellent than 0.05 means that the liquidity variable has no effect. Significant to profitability. Then the statistical analysis results for the Credit Risk variable show that the NPL regression coefficient value is negative -0.179 from the t-test results for the NPL variable, and a significance value of 0.122 is obtained. Because the coefficient value is negative and the significance value is more significant than 0.05, the credit risk variable has no significant effect on profitability.

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