ABSTRACT

Banking is an intermediary institution that provides financing for consumption and production activities so that it has an important role in the national economy and a bank with good profitability will ensure the continuity of economic growth and financial system stability. Therefore, it is important to know the factors that affect bank profitability.

This study was conducted to examine the effect of Loan to Asset Ratio, Debt to Asset Ratio, Non-Interest Expense to Total Asset Ratio, GDP per Capita, Inflation, and Stock Market Capitalization to GDP on Return on Assets of Banking Sub-Sectors Listed on the IDX for the 2016-2020 period.

Collecting data of all banking companies listed in an Indonesian Stock Exchange from 2016 to 2020 and employing purposive random sampling, this study collects samples of 38 companies that meet the criteria. Data were analyzed using panel data regression.

Based on the results of the study, the variables Loan to Asset Ratio, Debt to Asset Ratio, Non-Interest Expense to Total Asset Ratio, GDP per Capita, Inflation, and Stock Market Capitalization to GDP simultaneously have a significant effect on Return on Assets in the Banking Sub-Sectors Registered in IDX 2016-2020 period. While partially, Loan to Asset Ratio, GDP per Capita, and Stock Market Capitalization to GDP have no significant effect on Return on Assets. Debt to Asset Ratio has a significant positive effect on Return on Asset. Non-Interest Expense to Total Asset Ratio has a significant negative effect on Return on Assets. Inflation has a significant positive effect on Return on Asset.

Keywordsi: Loan to Asset Ratio, Debt to Asset Ratio, Non-Interest Expense to Total Asset Ratio, GDP per Capita, Inflation, Stock Market Capitalization to GDP, Return on Asset, Banks, Indonesian Stock Exchange.