

ABSTRACT

Banking profitability is an important indicator for assessing bank performance, particularly amid changes in economic conditions during the study period. This study aims to analyze the effects of Non-Performing Loan (NPL), Net Interest Margin (NIM), Operating Expenses to Operating Income (BOPO), economic growth (Gross Domestic Product/GDP), inflation, and the COVID-19 Dummy on profitability, as measured by Return on Assets (ROA), of banks classified into Core Capital-Based Bank Groups (KBMI) 1–4 and listed on the Indonesia Stock Exchange (IDX) during the 2018–2024 period. This study uses secondary data in the form of panel data, combining time series and cross-sectional data. The sample consists of 47 banks with 329 balanced observations. The analysis was conducted using panel data regression with EViews 14 through model selection procedures, including the Chow test, Hausman test, and Lagrange Multiplier (LM) test. The results indicate that the most appropriate model is the Random Effect Model (REM). Partially, NIM has a positive and significant effect on ROA, while BOPO has a negative and significant effect on ROA. NPL and economic growth (GDP) have no significant effect on ROA. Inflation also has no significant effect on ROA, while the COVID-19 Dummy has a negative and significant effect on ROA. Simultaneously, NPL, NIM, BOPO, GDP, inflation, and the COVID-19 Dummy affect ROA. The findings indicate that internal bank factors, particularly the ability to generate income through NIM and operational efficiency through BOPO, have a stronger relationship with bank profitability than macroeconomic variables in the research model.

Keywords: Profitability, Return on Assets (ROA), Non-Performing Loan (NPL), Net Interest Margin (NIM), BOPO, GDP, Inflation, COVID-19 Dummy, KBMI, Random Effect Model (REM).