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The Moderation Effect of Non-Performing Loans on Camel and Banking Performance in Indonesia

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ABSTRACT: This research aims to determine the moderating effect of non-performing loans on cash and banking performance in Indonesia listed on the Indonesian stock exchange. Sample selection was carried out using a purposive sampling method, resulting in a sample of 195 with an observation period of 5 years from 2018 to 2022. This research uses quantitative data and the data used is secondary data obtained from the financial balance report of the Indonesia Stock Exchange. The techniques used in this research are multiple regression analysis and moderate regression analysis (MRA). The results of this research show that CAR and BOPO have a negative and statistically insignificant effect on profit growth. KAP, Liquidity, LDR have a positive and statistically insignificant effect on profit growth. ROA has a positive and statistically significant effect on profit growth. NPL does not moderates the relationship between liquidity and LDR on profit growth.

KEYWORDS: Non performing loan, bank, financial balance report, profit growth,

INTRODUCTION

Financial institutions are the main pillars of a country's economic growth and development. Banks can also influence the liquidity structure of the economy through the accumulation of financial surpluses from individuals and institutions in the form of savings and current accounts, as well as channeling different forms of productive and consumptive credit towards a country's economic growth (Saputra & Widiansyah, 2022). In addition, banks support a country's economy during times of recession and economic crisis (Sara et al., 2023).

Bank performance is the main goal of all banks to consistently increase the value of equality and provide good quality service to customers in order to foster a good economic environment to increase the profitability of financial institutions (Zaidanin, 2020). Banks are an industry whose business activities rely on public trust, so the bank's soundness level needs to be maintained (Saputra et al., 2018). A decline in performance can result in a decline in the bank's soundness level which results in a decline in public confidence in the bank. The banking industry is an important sector in national development which functions as a financial intermediary between parties who have excess funds and parties who need funds (Trisnadewi et al., 2019). However, the intermediation function is still hampered by unfavorable changes in economic conditions (Bank Indonesia Annual Report, 2006).

In carrying out its operations, the risk control system is always prioritized to obtain maximum profits so that it can increase company value. Not all banks operating in Indonesia can be categorized as good or healthy (Laksmi, Putra, et al., 2023). Whether a bank is healthy or not can be seen from the financial ratios contained in the financial statements. The bank health level assessment system has 5 aspects called CAMEL, including Capital, Asset Quality, Management, Earnings and Liquidity. The Capital factors used in this banking ratio are the Capital Adequacy Ratio (CAR), the Productive Asset Quality factor. Management projections with NPL. Return on Assets (ROA) and Operational Costs to Operating Income (BOPO) to assess the Earnings factor, and Loan to Deposit (LDR) to assess the Liquidity factor. CAMEL is not only used to assess the health of banks, but is also used as an indicator in compiling ratings and predicting the prospects of a bank in the future (Agustini et al., 2019).

During the Covid-19 pandemic, the economic crisis occurred. This has an impact on the banking sector not being able to freely distribute credit, this is due to the increasing risk of default or bad credit from creditors because the majority of people, both individuals and companies, tend to experience a decline in income during the Corona virus pandemic. Even data from the Financial Services Authority (FSA) for March 2020 shows that there has been an increase in class 2 and 3 credit risks in the banking sector compared to the previous year. To provide a more factual picture of the statement from FSA, average ratio data related to CAMEL and profit growth will be presented as shown in Table 1.1 below:

Table 1. Average Ratios Relate to CAMEL and Profit Growth

Mean	2018	2019	2020	2021	2022
CAR	21,95	21,71	24,18	30,10	34,04
ROA	0,63	0,67	0,22	-0,44	0,57
Likuiditas	16,75	18,21	36,48	42,57	37,76
BOPO	69,61	81,39	100,75	93,82	65,86
NPL	5,05	5,90	4,09	3,86	3,35
Profit Growth	-0,40	0,16	-2,36	-5,91	-5,38

Table 1 provides an illustration of the relationship between the average ratio related to CAMEL and profit growth. The Capital aspect must always be in sufficient condition. If this is achieved, it means that the bank has demonstrated the ability to manage and maintain existing capital, as well as identifying, monitoring and controlling risks that may arise which could affect that capital (Saputra & Widiansyah, 2022). Based on the results of calculations regarding Capital during 2018-2022, it shows that capital adequacy results are seen in terms of CAR (Capital Adequacy Ratio), where the CAR ratio decreased in 2018-2019 from an average of 21.95 to 21.71. One of the parameters in using the bank's health level is the bank's ability to achieve profits. ROA (Return on Asset) calculation results in the 2018-2022 period, where the ROA ratio decreased from 2020 to 2021 on average by 0.22 to -0.44 and in 2022 it was still considered unhealthy at 0.57. Liquidity analysis is an analysis carried out on the bank's ability to fulfill short-term obligations or obligations that frequently fall due. Meanwhile, the average Liquidity ratio will decrease in 2022 compared to 2021, amounting to 42.57 to 37.76, although it is still considered good. Meanwhile, based on the average ratio of Operational Costs to Operational Income (BOPO), from 2018 to 2022, where BOPO is where a company controls operational costs to its operating income which is achieved does not exceed 100%, in accordance with the standards set has been set by Bank Indonesia, but the BOPO ratio increased drastically in 2020, reaching 100.75, causing operational costs to be too high, which made the bank unfavorable. Banking is also not free from problems called problem credit. Problem credit is a situation where funds that have been distributed to the public are not paid smoothly due to certain circumstances. One of the terms in non-performing loans is Non-Performing Loan (NPL). Where the average NPL ratio increased in 2018 - 2019 from 5.05 to 5.90. Meanwhile, profit growth is the change in the percentage increase in profits obtained by the company from the previous year (Tóth et al., 2021). Good profit growth indicates that the company has good finances, which can then increase the company's value. Where profit growth has decreased from 2018 to 2021 -0.40 to -5.91, which is poor profit growth (Atmadja et al., 2021).

This phenomenon is very important to investigate how the CAMEL ratio influences profit growth. A more interesting condition occurs between non-performing loans or NPLs and profit growth, namely that there is a contradictory or inverse relationship between non-performing loans and credit growth so that investigating NPLs as moderation in this research is very interesting to provide answers to this contradictory phenomenon (Saputra et al., 2022).

Credit can be categorized as non-performing credit if there is a delay in payment of interest and/or credit for more than 90 days from the due date, it is not repaid at all or it requires renegotiation of the credit and interest repayment terms stated in the credit agreement (Saputra et al., 2018). Considering that the Bank's main source of income comes from interest income from lending, the size of non-performance loans has an impact on profit growth (Laksmi, Arjawa, et al., 2023). This condition is in line with the statement by The Uniform Financial Institutions Rating System (UFIRS) that CAMEL is a measure to determine the performance or profit growth of a bank (Guiheldy & Sukartaatmadja, 2021). There are several theories that explain the phenomenon of the CAMEL and NPL effect on profit growth, namely the agency theory developed by Jansen and Mackling (1976) which states that there is an agency conflict between the principles or ranks of the Board of Commissioners and the Agena or ranks of the Board of Directors causing them to have different interests, namely each -each wants to maximize their own profits.

As a result of this agency conflict and information asymmetry, agents will carry out management ratios such as CAMEL for the personal benefit of the Agent or Board of Directors, the consequences of which, both directly and indirectly, will have an impact on banking performance such as profit growth. The direct effect of CAMEL management on profit growth is due to management manipulating CAMEL by choosing accounting and reporting policies so that profit growth appears to continue to increase with the aim of getting bonuses and other personal motives (Sara et al., 2020). Of course this condition will have an impact on profit growth because profit growth does not come from bank performance. Actually. The indirect impact of earnings management on profit growth occurs if investors are not aware of banking conditions, investors will not buy shares and will even sell banking shares as a result, their performance will also decline (Saputra et al., 2019).

Based on empirical research, there are findings that are not yet conclusive or there is still a research gap on the influence of CAMEL on profit growth. In this gap research, researchers suspect that there is one variable that strengthens or weakens the influence between CAMEL and profit growth, namely non-performing loans. Banks that have sufficient capital, operational

efficiency and liquidity are quite good or have a good CAMEL ratio, but if there are a lot of problem loans or high NPLs then their profit growth will also decrease.

LITERATURE REVIEW

Signaling Theory

Signaling Theory is a signal used by the company (managers) to external parties, especially investors. This theory can be a way to reduce asymmetric information so as to provide reliable information and signals. Brigham and Houston (2015) state that signal theory provides an illustration that a signal or signal is an action taken by company management that gives investors a clue about how management views the company's prospects. This theory reveals that investors can differentiate between companies that have high value and companies that have low value (Wigati, 2020). This signal theory talks about companies' problems in presenting information to the capital market (Broadstock et al., 2021).

CAMEL Approach

CAMEL or Capital assets Management Earnings Liquidity is a method for assessing the health level of a bank. The CAMEL approach is an approach used to see the level of bank health which is measured using capital, asset quality, management, earnings and liquidity in accordance with the Decree of the Directors of Bank Indonesia dated 30 April 1997 Concerning Procedures for Assessing the Soundness Level of Commercial Banks as refined by the Decree of the Directors of Bank Indonesia No. 30/277/KEP/DIR dated 19 March 1998 Concerning Amendments to the Decree of the Directors of Bank Indonesia No. 30/11/KEP/DIR dated 30 April 1997 concerning Procedures for Assessing the Soundness Level of Commercial Banks (Chamidah et al., 2020).

Non-Performing Loan

Non-performing loans (NPL) or non-performing loans are loans that experience difficulties in repayment due to gaps and/or due to external factors beyond the creditor's capabilities, such as poor economic conditions (Manurung et al., 2022). According to the International Monetary Fund (IMF), a loan is considered a non-performing loan if it does not generate interest for 90 days (in Khan et al., 2020). There are a number of internal factors resulting from non-smooth credit, namely weak credit analysis, weak systems and procedures, bad intentions from owners or managers and violating credit supervision from producers. Meanwhile, the external factor is the creditor's business.

Profit Growth

Profit growth is a ratio that shows the company's ability to increase its net profit from the previous year. Meanwhile, the definition of profit growth is an increase in profits or a decrease in profits per year expressed as a percentage (Velde et al., 2018). From this understanding it can be concluded that profit growth is the company's ability to increase the net profit obtained from the previous year. Company performance can be reflected through company profit growth (Begum et al., 2019). Net profit that increases every year indicates that the company's performance is getting better. In this way the company will send a positive signal to investors so that investors are interested in investing their capital (Laksmi & Arjawa, 2023b).

Financial Performance

Financial performance is the success achieved by a company in managing the company's finances so that good management results are obtained. Performance in a company is a measure of the company's achievements that can generate profits, where profits are one of the tools used by managers (Ni et al., 2020). Financial performance will also provide an overview of the efficiency of the company's use of funds regarding the results that will obtain profits which can be seen after comparing net income after tax (Putri & Saputra, 2022). Financial performance plays an important role in every company operational activity, so that if financial performance is good then the company's operations will also run well, of course it will be optimal because financial performance is one of the benchmarks in every activity the company will carry out to achieve the level of health the company desires (Ionescu et al., 2019).

Hypothesis

Sending a positive signal in the form of a high CAR with the hope that investors, creditors and borrowers will want to use bank products so that it will have an impact on increasing profit growth. This explanation is in line with the signaling theory from Brigham and Houston (2015), which states that it provides reasons for companies to send financial report information regarding company performance to outside parties so that investors, creditors and debtors want to use banking products. Empirical findings strengthen signaling theory, such as research by Purwasih & Soedarsa (2022) showing that CAR has a significant influence on profit growth. (Darwisy, 2022) shows that the CAR variable has a simultaneous effect on profit growth. Paramithari (2016), Saif-Alyousfi

et al., (2017) and Rahman & Islam, (2017) show that CAR has a significant positive effect on profit growth. Based on the theoretical and empirical studies described above, the hypothesis that will be proposed is:

H_1: The CAR ratio has a significant positive effect on profit growth in BEI registered banking

A high bank KAP ratio indicates better performance so this information will be used by management to send a positive signal to external parties (Investors, Creditors, Debtors, etc.) in the hope that they will invest or use bank products which will have an impact on increasing profit growth as explained by signaling theory from Brigham and Houston (2015). The signaling theory explanation is in line with empirical findings from Agustina (2021) who tested the KAP (Product Asset Quality) variable influencing profit growth. Badrul Munir & Ahmad Bustamam (2017), Alemu & Awekw, (2017) and Saif-Alyousfi et al., (2017) KAP (Product Asset Quality) variables influence profit growth. Based on this description, the hypothesis that will be proposed is:

H_2: KAP ratio has a significant positive effect on BEI registered banking profit growth.

Banks with high ROA are seen by management as good news which can be used to send positive signals to external parties (Investors, Creditors, Debtors, etc.) in the hope that they will invest their funds or use the banking products offered. A positive response from external parties to bank products will have an impact on profits which in turn will impact profit growth as explained by signaling theory. The results of the signaling theory study are in line with empirical findings from Agustina (2021) who tested the ROA (Return On Asset) variable, which influences profit growth. Purwasih & Soedarsa (2022) show that ROA has a significant influence on profit growth. Paramithari (2016), Saif-Alyousfi et al., (2017), Badrul Munir & Ahmad Bustamam (2017) and (Alemu & Awekw, (2017) show that ROA has a positive influence on Profit Growth. Based on this description, the hypothesis that will be submitted are:

H_3: The ROA ratio has a significant positive effect on BEI registered banking profit growth.

A small BOPO ratio provides information about the more efficient management is in managing the bank or in other words the better the bank's performance. This information is good news for management, which will be used to provide signals to external parties (Investors, Creditors, Debtors, etc.) in the hope that they will invest and use bank products that have an impact on increasing profit growth, as explained by signaling theory. This signaling theory study is in line with empirical findings from Agustina (2021) who tested the BOPO variables (Operating Costs and Operational Expenses) which all influence profit growth. Darwisy (2022), Nguyen et al., (2020), Zedan & DAAS (2017) and Nugroho et al., (2020) show that only the BOPO variable has an effect on profit growth with a negative coefficient and in the F test results the BOPO variable has a simultaneous effect on profit growth. Based on this description, the hypothesis that will be proposed is:

H_4: The BOPO ratio has a significant negative effect on BEI registered banking profit growth.

Liquidity ratios are used to measure a company's ability to meet its short-term obligations. This ratio compares the short-term (or current) liabilities available to meet those obligations. The more liquid a bank is, the less risky the bank is seen by investors, creditors and debtors. The higher the liquidity ratio, the better the bank's performance in managing its risks. Management's success in managing risk will be appreciated by external parties (Investors, Creditors, Debtors, etc.) by investing and using bank products which have an impact on increasing profit growth as explained by the Sigalling theory. This signaling theory study is in accordance with empirical studies from Saif-Alyousfi et al., (2017), (Alemu & Awekw (2017) and Zedan & DAAS (2017) Liquidity ratios have an influence on profit growth. Saraswati & Nurhayati (2020) show that liquidity Has a Significant Positive Influence on Profit Growth. Based on this description, the hypothesis that will be proposed is:

H_5: Liquidity ratios have a significant positive effect on BEI registered banking profit growth.

Banks that have a high LDR ratio also indicate the public's trust in saving their funds in that bank. This information is certainly good news for management to use as a signal to outside parties (Investors, Creditors, Debtors, etc.) in the hope that they will want to invest and use the Bank's products. Increasing investment and use of bank products will have an impact on increasing profit growth as explained by signaling theory. This study of signaling theory is in line with empirical findings from Purwasih & Soedarsa (2022) showing that LDR has a significant influence on profit growth. Darwisy (2022), Nugroho et al., (2020), Nguyen et al., (2020) and Zedan & DAAS (2017) show that LDR has a simultaneous effect on profit growth. Based on this description, the hypothesis that will be proposed is:

H_6: The LDR ratio has a positive effect on BEI registered banking profit growth.

According to the signaling theory from Brigham and Houston (2015), good signals from bank management, in the form of high bank liquidity and low NPLs, will be appreciated by outside parties (Investors, Creditors and Debtors) to invest and use bank products which have an impact on increasing profit growth. This signaling theory statement is in line with the empirical findings of research conducted by Afriani et al. (2023) shows that non-performing loans are able to moderate the relationship between liquidity and profitability. Results of empirical studies by Kurniawan, et. Al, (2021) found that credit risk, proxied by NPL, was able to moderate the positive influence of liquidity on profitability.

H_7: Non-performing loans strengthen the positive influence of liquidity on Profit Growth.

The success of Bank Management in managing LDR and NPL levels is good performance, which can be used as a signal to external parties as explained by signaling theory. The explanation of signaling theory is in line with empirical findings from research conducted by Yusuf & Surjaatmadja (2018), Hapsari (2018), Arsew et al., (2020), C. Dewi (2019) showing that non-performing loans are able to moderate the relationship between loans. to deposit ratio (LDR) to ROA and nonperforming loans (NPL) positively moderates the relationship between CAR and ROA.

H_8: Non-performing loans moderate the positive influence of LDR on Profit Growth.

METHOD

This research is a type of comparative causal research which aims to investigate possible causal relationships that exist, looking for facts that might be the cause through certain data. The location of this research was carried out in banks registered on the Indonesian Stock Exchange. The source of quantitative data is banking financial reports registered on the Indonesia Stock Exchange. The population of this study is CAMEL reports on IDX registered banking. The sample determination method used was purposive sampling. Purposive sampling is used because the information to be taken comes from sources that are deliberately selected based on criteria set by the researcher. In this research, the data used is the 2018-2022 financial balance reports for IDX-registered banks, then processed to produce the required ratios in accordance with the measurement procedures. The data used in this research comes from secondary data. Secondary data is banking financial report data listed on the Indonesia Stock Exchange for 2018-2022. The data analysis used in this research consists of descriptive statistical analysis and linear regression analysis with moderating variables or moderating regression analysis.

RESULT AND DISCUSSION

This research was conducted on the Indonesia Stock Exchange (BEI), especially banking companies that present financial reports in 2018-2022. Data was collected by accessing the official website of the Indonesian Stock Exchange, namely www.idx.co.id. The population of this research is banking companies listed on the Indonesian Stock Exchange from 2018 to 2022 or for 5 years. Based on purposive sampling technique, the sample that met the criteria was 195.

Based on the normality test, it can be seen that the Asymp Sig value is 0.388 > 0.05. Testing with the Kolmogorov-Smirnov test shows that the data is normally distributed because the significant value produces a value greater than 0.05. and, based on the multicollinearity test finding all variables with tolerance values > 0.100 and VIF values < 10.00, it can be concluded that there are no symptoms of multicollinearity in the model. Based on the autocorrelation test, it was found that the Durbin-Watson value was between DU < DW < 4Du (1.6643 < 1.885 < 2), it can be concluded that the regression model is free from autocorrelation symptoms. Based on the Gledzer test, it was obtained that all P-Value or sig values of the independent variables were > 0.05, it can be concluded that the regression model is free from symptoms of heteroscedasticity. So after eliminating outlier data, all classical assumption tests have been fulfilled. The model feasibility test is carried out using termination tests and simultaneous tests or F tests. The termination tests are as shown in the following table:

Table 2. Coefficient of Determination Test (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.551[a]	.303	.260	.41769

Based on Table 2, the R Square value is 0.303, meaning that 30.3% of the profit growth variance is influenced by CAR, KAP, ROA, BOPO, Liquidity, LDR and NPL, while 69.7% is influenced by other variables outside the model. The F statistical test is carried out to determine whether all independent variables have an influence on the dependent variable. The F statistical test is used to identify a regression model that is estimated to be feasible or not.

Table 3. F test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.876	8	1.235	7.076	.000[a]
	Residual	22.681	130	.174		
	Total	32.557	138			

Based on the F test, a sig or P-Value value of 0.000 < 0.05 is obtained, so it can be concluded that there is a joint influence of CAR, KAP, ROA, BOPO, Liquidity, LDR and NPL on profit growth or a feasible model for predicting profit growth.

Table 4. Hypothesis Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.012	.267		-.044	.965
	CAR	-.002	.004	-.062	-.585	.560
	KAP	.007	.052	.018	.132	.895
	ROA	.082	.043	.218	1.894	.060
	BOPO	-.004	.003	-.146	-1.118	.266
	LIKUIDITAS	.007	.004	.242	1.750	.082
	LDR	.002	.002	.130	.990	.324
	NPL	-.036	.149	-.085	-.241	.810
	LikXNPL	-.001	.002	-.128	-.690	.491
	LDRXNPL	.000	.002	-.148	-.454	.651

1. Based on moderating regression analysis, β = -0.002 with P-Value > α (0.560 > 0.05) it can be concluded that Car has a negative and statistically insignificant effect on profit growth.
2. Based on moderating regression analysis, β = 0.007 with P-Value > α (0.895 > 0.05) can be concluded that KAP has a positive and statistically insignificant effect on profit growth.
3. Based on moderating regression analysis, β = 0.082 with P-Value < α (0.060 < 0.10) it can be concluded that ROA has a positive and statistically significant effect on profit growth.
4. Based on moderating regression analysis, β = -0.004 with P-Value > α (0.266 > 0.05) it can be concluded that BOPO has a negative and statistically insignificant effect on profit growth.
5. Based on moderating regression analysis, β = 0.007 with P-Value > α (0.82 > 0.05) it can be concluded that liquidity has a positive and statistically insignificant effect on profit growth.
6. Based on moderating regression analysis, β = 0.002 with P-Value > α (0.324 > 0.05) it can be concluded that LDR has a positive and statistically insignificant effect on profit growth.
7. Based on moderating regression analysis, β = -0.001 with P-Value > α (0.491 > 0.05) can be concluded that NPL has a negative effect and is not statistically significant in moderating the effect of liquidity on profit growth.
8. Based on moderating regression analysis, β = -0.000 with P-Value > α (0.651 > 0.05) can be concluded that NPL has a positive effect and is not statistically significant in moderating the effect of LDR on profit growth.

The first hypothesis (H_1) that the CAR ratio has a positive effect on profit growth is not supported. These results provide evidence that neither banks with high nor low CARs can have an impact or influence on bank profit growth in the context of banks listed on the Indonesia Stock Exchange. So the results of this research cannot validate the signaling theory which states that banks that have a larger CAR have lower risk because they have a larger cushion or buffer when bad credit occurs. A larger CAR also provides banks with the opportunity to offer more banking products or services in order to increase bank profits. This condition is a positive signal for investors so that investors will buy banking shares with a larger CAR. The more bank shares purchased by investors will increase the value of the company which in turn can increase profit growth because the bank has greater financial resources to take advantage of opportunities to gain profits.

The second hypothesis (H_2) which states that the KAP ratio has a positive effect on profit growth is not supported. The results of this research cannot be explained by the signaling theory from Brigham and Houston (2015), which states that when a bank has high quality productive assets, it is good news for the executive ranks, so this good news will be used to provide a signal to investors in the hope that investors will buy company shares. . Investors' positive response by buying company shares will have an impact on increasing the company's market price which directly impacts the company's value so that the company has more financial resources to take advantage of existing opportunities which have an impact on profit growth. The results of this research

can be explained by institutional theory (Scott, 2004), assuming that organizations in their activities always take into account institutional structures such as norms, schemes, routines and rules that are enforced through guidelines that have the authority to control social behavior in organizations (Atmadja & Saputra, 2018). So according to institutional theory, the quality of productive assets managed by banks is only to comply with regulations from Bank Indonesia and the Financial Services Authority, so banks do not have the freedom to use the productive assets they own to increase profit growth (Saputra, Jayawarsa, et al., 2019).

The third hypothesis (H_3) that the ROA ratio has a positive effect on profit growth is supported. Return on Assets is to assess how well assets are optimized to generate profits. Bank Indonesia has set a minimum rate of return on investment (ROI) of 2%. To fulfill shareholder duties, analyze management performance, and make it more attractive for investors to invest their money. As a result, banks work hard to generate profits. Banks can provide credit to obtain income if the ROA is high (Riadi, 2018). This research is in line with Agustina (2021) who tested the ROA (Return On Asset) variable, which influences profit growth.

The fourth hypothesis (H_4) which states that BOPO has a negative effect on profit growth is not supported. These findings show that whether a bank can operate efficiently or inefficiently, it will not have an impact on increasing or decreasing profit growth. This insignificant result can be explained by agency theory (Jensen & Meckling, 1976), stating that there is an agency conflict between managers and owners or shareholders. As a result of this conflict, it is not uncommon for management to use operational expenses and operational income to carry out earnings management to benefit themselves. Investors also know, especially institutional investors, that operational costs and operational income are often used to carry out earnings management by management, so bank operational efficiency reports are pseudo reports so this has no impact on profit growth (Laksmi & Arjawa, 2023a). Based on descriptive statistical analysis, the average BOPO of banks listed on the Indonesia Stock Exchange is 89.33%. This number shows that on average banks operate less efficiently so the results do not have a significant impact on profit growth.

The fifth hypothesis (H_5) that the Liquidity Ratio has a positive effect on profit growth is not supported. The results of this research provide empirical evidence that neither high nor low liquidity has an impact on profit growth in banking companies listed on the Indonesia Stock Exchange. The results of this research cannot be explained by signaling theory, but can be explained by Anticipated income theory (Odunayo & Oluwafeyisayo, 2015), stating that bank profitability growth is not determined by liquidity but by the potential feasibility of providing loans and potential loan income.

The sixth hypothesis (H_6) that the LDR ratio has a positive effect on profit growth is not supported. The results of this research provide empirical evidence that whether the higher or lower the bank's ability to repay withdrawals made by depositors by relying on credit provided as a source of liquidity does not have an impact on profit growth (Tefera & Hunsaker, 2020). The bank's ability to repay withdrawals made by depositors by relying on the credit provided as a source of liquidity (Jachi & Yona, 2019).

The seventh hypothesis (H_7) which states that liquidity has a positive effect on profit growth is not supported. Non-Performing Loan (NPL) is a financial ratio used as a proxy for the return of credit provided to bank depositors, in other words NPL is the level of bad credit at the bank. Liquidity ratios indicate a company's ability to meet immediate commitments. Working capital data, namely each component of current assets and liabilities, can be used to determine this ratio. The company's financial performance will then worsen due to poor liquidity, which will be detrimental to interested parties. With the premise that the bank is able to channel financing successfully, the higher the liquidity ratio value, the better the bank's profits will be (Huang, 2021). This research is in line with that conducted by Afriani et al. (2023) shows that non-performing loans are unable to moderate the relationship between liquidity and profit growth.

The eighth hypothesis (H_8) which states that the LDR ratio has a positive effect on profit growth is not supported. Non-Performing Loan (NPL) is a financial ratio used as a proxy for the return of credit provided to bank depositors, in other words NPL is the level of bad credit at the bank. This ratio shows that bank management's ability to manage problem loans is provided by the bank. The smaller the Non-Performing Loan (NPL), the smaller the credit risk borne by the bank

CONCLUSION

1. CAR has a negative and statistically insignificant effect on profit growth. This insignificant result can be explained by the efficiency structure theory of Olweny & Shipho, (2011), which states that the increase in profits is because the company can operate efficiently in every structure that exists within the organization and every component structure of the company's expenditure. So according to this theory, even though a company has a large CAR, if it cannot manage the CAR efficiently, the CAR cannot increase profit growth.
2. KAP has a positive and statistically insignificant effect on profit growth. The results of this research cannot be explained by signaling theory, but can be explained by agency theory (Jensen & Meckling, 1976), which states that there is a conflict of

interest between the agent as the company manager and the principle as the owner or shareholder, each of whom wants to maximize their welfare. This conflict directs managers to allocate the company's productive assets to maximize personal profits, so that it does not have an impact on increasing profit growth.

3. ROA has a positive and significant effect on profit growth. The results of this research prove that if the Bank is able to maximize assets to obtain greater profits, it can also increase greater profit growth.
4. BOPO has a negative and insignificant effect on profit growth. This insignificant result can be explained by agency theory (Jensen & Meckling, 1976), stating that there is an agency conflict between managers and owners or shareholders. As a result of this conflict, it is not uncommon for management to use operational expenses and operational income to carry out earnings management to benefit themselves. Investors also know, especially institutional investors, that operational costs and operational income are often used to carry out earnings management by management, so bank operational efficiency reports are pseudo reports so this has no impact on profit growth.
5. Liquidity has a positive and insignificant effect on profit growth. The results of this research cannot be explained by signaling theory, but can be explained by Anticipated income theory (Odunayo&Oluwafeyisayo, 2015), stating that bank profitability growth is not determined by liquidity but by the potential feasibility of providing loans and potential loan income.
6. LDR has a positive and insignificant effect on profit growth. The results of this research cannot be explained by signaling theory, but can be explained by Anticipated income theory (Odunayo & Oluwafeyisayo, 2015), which states that bank profitability growth is not determined by the bank's ability to pay off depositor obligations due from the credit provided but by potential feasibility. lending and potential loan income.
7. NPL does not significantly moderate the effect of liquidity on profit growth. This insignificant finding is because the Bank recommends that even for government credit programs, every creditor is required to insure their credit, so that when the creditor fails to pay, it will be covered by the insurance company.
8. NPL does not significantly moderate the influence of LDR on profit growth. This insignificant finding is also due to the Bank recommending that even for government credit programs, every creditor is required to insure their credit, so that when the creditor fails to pay it will be covered by the insurance company.

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