Formosa Journal of Multidisciplinary Research (FJMR)
Vol. 4 No. 8, 2025: 3579-3596

The Influence of Credit Risk, Capital Adequacy, and Liquidity on the Profitability of Bank Perkreditan Rakyat Gianyar for the 2020-2022 Period

Sang Ayu Kompiang Ari Ardiningsih[1*], Made Reina Candradewi[2]
Fakultas Ekonomi dan Bisnis, Universitas Udayana, Denpasar, Indonesia
Corresponding Author: Sang Ayu Kompiang Ari Ardiningsih
ari.ardiningsih053@student.unud.ac.id

A R T I C L E I N F O

Keywords: Credit Risk, Capital Adequacy, Liquidity, Profitability

Received : 16, July
Revised : 30, July
Accepted: 21, August

A B S T R A C T

Profitability is the company's ability to demonstrate profit generation or a measure of the effectiveness company management in each period. Profitability in this research is proxied by ROA, which is a ratio that shows the company's ability to generate profits on the total assets used. This research aims to determine the effect of credit risk, capital adequacy and liquidity on profitability. This research was conducted at the Bank Perkreditan Rakyat (BPR) Gianyar Regency for the 2020-2022 period and the total research sample was 24 BPRs with a non-probability sampling method using saturated sampling techniques. The data analysis technique used in this research is multiple linear regression analysis using the IBM SPSS version 24 program tool. The results of the analysis show that 1) Credit risk has no effect on profitability. 2) Capital adequacy has a positive and significant effect on profitability. 3) Liquidity has a positive and significant effect on profitability.

DOI: https://doi.org/10.55927/fjmr.v4i8.371
ISSN-E: 2829-8896
https://npaformosapublisher.org/index.php/fjmr

INTRODUCTION

Economic increase in Indonesia is fantastically dependent on the financial zone, which can drastically influence its improvement (Cristina & Artini, 2018). The banking area is one of the financial sectors that performs a vital position in a country's economic increase, as banks can influence the entire national economic device. Banks are the number one economic intermediaries that collect price range from the public and distribute them to the general public primarily based on believe, aiming to attain maximum profitability (Nadya & Wijaya, 2023). Banks are huge establishments capable of riding Indonesia's economic boom. Banks consistently attempt to contribute maximally to improving business enterprise overall performance to make certain competitiveness and preserve the business enterprise's sustainability.(Prameswari & Rahyuda, 2024).

A bank is a commercial institution that gathers funds from the public via deposits and allocates them through loans and other means to improve the quality of life of individuals (Law of the Republic of Indonesia No. 10 of 1998). Based on this regulation, banks are divided into two groups: Commercial Banks and Rural Credit Banks (BPR). BPRs are banks that channel funds through credit (Financial Services Authority Statistical Report, 2024). BPRs are banking financial institutions whose activities focus on providing financing or channeling funds to micro, small, and medium enterprises (MSMEs). BPRs play a essential role in supporting the community's economic activities across diverse sectors (Artika & Marini, 2023). The bank's strategy for amassing finances is to offer attractive and profitable rewards to potential customers. distributing credit score to the public is one of the foremost assets of BPR earnings (Yasin & Fisabilillah, 2021). credit score dispensed with the aid of BPR plays a giant position in economic boom. The credit score disbursed may be used for effective and consumptive sports (Sofyan, 2021).

Profitability in a bank plays a crucial role in assessing its health. Profitability in rural banks (BPR) needs to be maintained to ensure stable profits and increase them (Cristina & Artini, 2018). ROA is a measuring tool used by banks to determine the extent of a bank's ability to generate profits, calculated from the total assets used.(Wiagustini, 2014)ROA is generally used by banks to assess or measure the extent to which assets owned by the bank contribute to profits (Prameswari & Rahyuda, 2024). A bank's ROA displays the financial institution's ability to manipulate budget invested in all belongings to generate profits. based on bank Indonesia circular Letter No. 13/24/DPNP issued in 2011, the usual for financial institution fitness is about at >1.5%. A better ROA in a rural bank (BPR) suggests the effectiveness of the usage of overall property in producing earnings (Syawia & Marlius 2021). The significance of the ROA level generated by means of a rural financial institution can really have an effect on earnings increases, thereby helping and increasing fund distribution in a area. BPRs are anticipated with a view to growth profit profits, thereby growing potential patron accept as true with inside the bank.

This research was conducted at a rural bank (BPR) in Gianyar Regency during the 2020-2022 period. The Gianyar Regency BPR is a financial institution that assists communities experiencing financial problems, whether they are short of funds or have excess funds. One of the business activities of the BPR in Gianyar Regency is the distribution of credit to the local community for MSMEs (Annual Report of the Gianyar Regional BPR, 2021). Based on the business activities of the Gianyar BPR, all BPRs in Gianyar are predicted so as to provide or channel funds to the network optimally. BPRs in Gianyar can pay attention to their profitability to determine the extent to which the bank is able to manage the capital obtained. Therefore, with a high level of profitability, BPRs in Gianyar can certainly channel funds to the community optimally.

A excessive level of capital adequacy may have a better have an impact on in coping with operational dangers confronted within the method of developing a financial institution's business compared to banks with a low level of capital adequacy (Pratama et al., 2021). The higher the automobile of a financial institution, the more potent the financial institution is in facing rising risks, as a result permitting the financial institution to hold public agree with (Wulandari & Purbawangsa, 2019). research on capital adequacy that could have an effect on profitability has been conducted by way of numerous previous researchers, together with studies performed via Utomo & Trisnawati (2021) and Sunaryo (2020), which said that capital adequacy has a advantageous and significant impact on profitability. There are one of a kind studies results carried out with the aid of Sari & Endri (2019) and Prameswari & Rahyuda (2023), which stated that capital adequacy has a huge terrible impact on profitability.

Liquidity is a company's potential to satisfy its quick-term monetary responsibilities with to be had liquid finances (Wiagustini, 2014:85). Liquidity is an essential financial ratio for banks as it displays the monetary group's capability to satisfy its duties (Prameswari & Rahyuda, 2024). Liquidity in rural banks can be measured using the loan to Deposit Ratio (LDR). A excessive stage of liquidity in a financial institution shows that the quantity of credit disbursed is maximized, therefore attaining maximum profitability (Cristina & Artini, 2018). research on liquidity's impact on profitability has been performed via numerous previous researchers, together with studies via Pratama et al. (2021), which states that liquidity has a tremendous impact on profitability. supporting studies outcomes include research with the aid of Cristina & Artini (2018), which states that liquidity has a nice and extensive impact on profitability. There are conflicting results from studies with the aid of Nuryanto et al. (2020), which discovered that liquidity has a terrible and enormous impact on profitability. that is special from research performed through Prameswari & Rahyuda (2023) which stated that liquidity has no impact on profitability.

Based totally on the historical past description and the results of preceding studies, wherein there's nonetheless controversy regarding the influence of credit score hazard, capital adequacy, and liquidity on profitability, further studies is wanted to clarify in addition findings. on this look at, the researcher is interested in conducting a study on profitability at Bank Perkreditan Rakyat (BPR), with the title “The Influence of Credit Risk, Capital Adequacy, and Liquidity on the Profitability of Bank Perkreditan Rakyat Gianyar for the 2020-2022 Period". This research become performed because of a decline in ROA values in 2020-2022 throughout all BPRs in Gianyar.

LITERATURE REVIEW

Banking Financial Management

Banks' strategy for raising funds involves offering attractive and profitable rewards to potential customers. These rewards can take the form of interest, which banks offer based on conventional banking principles. Fund distribution involves returning funds obtained from checking money owed, financial savings debts, and time deposits to the public in the form of loans or credit score. Credit granted to borrowers is subject to an agreed-upon interest rate, and banks also charge loan recipients an administration fee (Andrianto et al., 2019).

Banking financial management is the supervision and control of all bank activities to achieve bank objectives and manage existing risks. Supervision includes financial planning, risk management, asset-liability management, strategic decision-making, and oversight of bank-customer relationships. Financial planning can determine the bank's financial goals and objectives, helping to maximize profits and minimize risks (Fauzan et al., 2023). Based on Bank Indonesia Regulations, bank financial management encompasses various aspects, including risk management policies, liquidity management, and monetary policy. PBI No. 11/25/PBI/2009 regulates the implementation of risk management in commercial banks and Islamic banks. In this case, risk management is explained as the process of identifying, measuring, monitoring, and controlling risks faced by banks. Risks faced and managed by banks include credit risk, market risk, liquidity risk, and operational risk.

Profitability

Wiagustini (2014:90) states that profitability can be measured the use of return on investment (ROI), go back on property (ROA), and go back on fairness (ROE). Profitability in banking can be measured the usage of return on assets (ROA) (Prameswari & Rahyuda, 2024). ROA is a ratio used to measure a business enterprise's capability to generate profits from investment assets. ROA is a ratio that measures the amount of belongings controlled by way of a agency and used to generate income. property are all wealth received from character capital or foreign capital that has been converted into enterprise property used for financial institution boom (Hamidah et al., 2023). in keeping with Wiagustini (2014:90), ROA is the capability to generate income from general assets used and may be calculated with the aid of dividing net profit through general belongings and multiplying with the aid of 100%.

Credit Risk

In step with Kasmir (2018), Non-acting Loans (NPL) are loans that stumble upon boundaries as a result of banks in carrying out economic evaluation or through customers who deliberately or by chance fail to make bills on their responsibilities. NPL is a monetary ratio used to measure a bank's control's potential to control non-acting loans. NPL fee is measured by the share of non-acting loans to total loans, the lower the NPL, the better the bank's profitability. Conversely, if the NPL is high, the financial institution will revel in losses due to low interest earnings from loans, that can lead to a lower inside the bank's profitability (Pratama et al., 2021).

Capital Adequacy

A bank's capital adequacy can be measured using the Capital Adequacy Ratio (CAR). According to Kasmir (2018:46), CAR is the ratio of capital to risk-weighted assets and government regulations. CAR is the ratio of liabilities to the minimum capital required by a bank, making capital a crucial factor in a company, particularly in financial institutions (Astuti et al., 2023). A superior degree of capital adequacy will more effectively mitigate operational risks encountered in a bank's business development process than banks with inferior capital adequacy (Pratama et al., 2021). The higher a bank's CAR, the stronger the bank is in facing emerging risks, thus enabling the bank to maintain public trust (Wulandari & Purbawangsa, 2019). Primarily based on the automobile ratio calculation in step with financial institution Indonesia requirements, vehicle can be calculated by means of dividing the financial institution's capital by its general risk-weighted assets (RWA) and expressed as a percent.

Liquidity

Liquidity is a agency's capability to fulfill its brief-term economic obligations with to be had modern-day price range. To maintain liquidity, the available current funds must be greater than current liabilities. A company that is illiquid can be considered unhealthy (Wiagustini, 2014:85). Liquidity is one factor that can influence profitability (Damayanti & Susila, 2022). Liquidity is an important financial ratio for banks because it reflects the bank's ability to meet its obligations (Prameswari, 2023). Liquidity in a bank can be measured using the Loan to Deposit Ratio (LDR).

Conceptual Framework

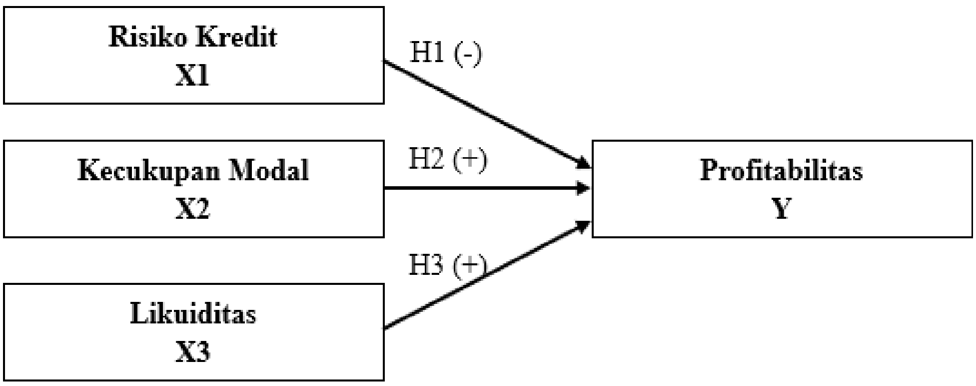

Figure 1. Conceptual Framework

Research Hypothesis

H1: Credit Risk Has a Negative and Significant Impact on Profitability
H2: Capital Adequacy Has a Positive and Significant Effect on Profitability
H3: Liquidity Has a Positive and Significant Effect on Profitability

METHODOLOGY

Based on the research objectives, this study uses a quantitative method with an associative format. This research will be conducted at all Rural Credit Banks (BPR) in Gianyar Regency for the period 2020-2022. The objects of this study are credit risk, capital adequacy, liquidity, and profitability of BPR Gianyar. Credit risk is proxied by NPL, capital adequacy is proxied by CAR, and liquidity is proxied by LDR. The population in this study is all Rural Credit Banks in Gianyar Regency for the period 2020-2022. Non-probability sampling with saturation sampling methodology was the sampling strategy used in this study. Saturation sampling is conducted if the population size is less than 30 people (Sugiyono, 2020:133). The sample in this study is all BPRs in Gianyar Regency for the period 2020-2022, totaling 24 BPRs that publish their financial reports to the OJK. Based on this, the sample Bank Perkreditan Rakyat (BPR) in this study are as follows. The data used in this study is quantitative. The quantitative data used are the ROA, NPL, CAR, and LDR values of BPRs in Gianyar Regency for 2020-2022, obtained from financial reports published by the Financial Services Authority (OJK). Therefore, a statistical system was used in the analysis process. This study employed a non-participant observation method for data collection.

RESEARCH RESULTS

Descriptive Statistical Analysis Results

Table 1. Descriptive Statistical Test Results

	N	Minimum	Maximum	Mean	Standard Deviation
Credit Risk	72	.97	24.87	8.6807	5.88249
Capital Adequacy	72	14.06	138.89	45.0549	22.70716
Liquidity	72	34.07	102.55	70.7896	14.20215
Profitability	72	.12	8.17	1.9990	1.56998
Valid N (listwise)	72				

Source: Data processed 2025 (Appendix 3)

Based on the analysis results presented in Table 1, general information on variables from a sample of 72 data obtained from data from 24 BPR companies in Gianyar Regency for the 2020-2022 period registered with the OJK can be seen, with the minimum, maximum and standard deviation values of each variable as follows:

1) The credit risk variable (X_1) proxied by NPL has the lowest (minimum) value of 0.97 percent obtained from BPR Mas Giri Wangi in 2020 and the highest (maximum) value of 24.87 percent obtained from BPR Suryajaya Ubud in

2020. In addition, it is known that the credit risk variable has an average value (mean) of 8.6807 percent and a standard deviation of 5.88249. The standard deviation value is smaller than the average value, this indicates that the credit risk variable has a good deviation, because it has a small data distribution. Based on the credit risk component ranking criteria, the average credit risk value of 8.6807 indicates that credit risk in BPR is classified as unhealthy.X_1

2) The capital adequacy variable (X_2) proxied by CAR has the lowest (minimum) value of 14.06 percent obtained from BPR Suryajaya Ubud in 2020 and the highest (maximum) value of 138.89 percent obtained from BPR Kancana Dewata Mahadhana in 2021. In addition, it is known that the credit risk variable has an average value (mean) of 45.0549 percent and a standard deviation of 22.70716. The standard deviation value is smaller than the average value, this indicates that the capital adequacy variable has a good deviation, because it has a small data distribution. Based on the capital adequacy component ranking criteria, the average capital adequacy value of 45.0549 indicates that capital adequacy in BPR is classified as very healthy.X_2
3) The liquidity variable (X_3) proxied by LDR has the lowest (minimum) value of 34.07 percent obtained from BPR Raga Jayatama in 2022 and the highest (maximum) value of 102.55 percent obtained from BPR Baskara Dewata in 2022. In addition, it is known that the liquidity variable has an average value (mean) of 70.7896 percent and a standard deviation of 14.20215. The standard deviation value is smaller than the average value, this indicates that the liquidity variable has good deviation, because it has a small data distribution. Based on the liquidity component ranking criteria, the average liquidity value of 70.7896 indicates that liquidity at BPR is classified as very healthy.X_3
4) The profitability variable (Y) proxied by ROA has the lowest (minimum) value of 0.12 percent obtained from BPR Tish in 2021 and the highest (maximum) value of 8.17 percent obtained from BPR Kancana Dewata Mahadhana in 2020. In addition, it is known that the profitability variable has an average value (mean) of 1.9990 percent and a standard deviation of 1.56998. The standard deviation value is smaller than the average value, this indicates that the profitability variable has a good deviation, because it has a small distribution. Based on the profitability component ranking criteria, the average profitability value of 1.9990 indicates that profitability at BPR is classified as very healthy.

Classical Assumption Test Results

1) *Normality Test*

Table 2. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		72
Normal Parametersa,b	Mean	.0000000
	Standard Deviation	1.36298154
Most Extreme Differences	Absolute	.057
	Positive	.057
	Negative	-.056
Test Statistics		.057
Asymp. Sig. (2-tailed)		.200c,d

Source: Data processed 2025 (Appendix 4)

The normality test findings in Table 2 indicate a Kolmogorov-Smirnov value of 0.057 and the Asymp. Sig. (2-tailed) value is 0.200 > 0.05 (significant level), meaning that the model created is normally distributed.

2) *Autocorrelation Test*

Table 3. Autocorrelation Test Results

Model Summary

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate	Durbin-Watson
1	.496a	.246	.213	1.39272	1,737

Source: Data processed 2025 (Appendix 5)

Table 3 shows the autocorrelation value in the Durbin-Watson table of 1.737. 72 research data and 3 independent variables were used in this study. The du value = 1.7054 was obtained through the Durbin-Watson table, and the model obtained was 1.7054 < 1.737 < (4-1.7054) or 1.7054 < 1.737 < 2.2946 based on the number of samples and independent variables. This model indicates that there are no autocorrelation symptoms in the regression model used in this study.

3) Multicollinearity Test

Table 4. Multicollinearity Test Results

Coefficients

Model		Collinearity Statistics Tolerance	VIF
1	(Constant)		
	Credit Risk	.999	1,001
	Capital Adequacy	.860	1,163
	Liquidity	.860	1,163

Source: Data processed 2025 (Appendix 6)

Table 4. shows the results of the multicollinearity test and obtained a tolerance value of 0.999 or 99.9 percent for the credit risk variable, 0.860 or 86.0 percent for the capital adequacy variable, and 0.860 or 86.0 percent for the liquidity variable. The VIF value of the credit risk variable was 1.001, the capital adequacy variable was 1.163, and the liquidity variable was 1.163. The tolerance value of the three variables shows results that are more than 10 percent or 0.10 and the VIF value of the three variables is less than 10, so that no symptoms of multicollinearity are found in the regression model.

4) Heterostrophicity Test

Table 5. Heteroscedasticity Test Results

			Unstandardized Residual
Spearman's rho	Credit Risk	Correlation Coefficient	-.148
		Sig. (2-tailed)	.216
		N	72
	Capital Adequacy	Correlation Coefficient	-.084
		Sig. (2-tailed)	.485
		N	72
	Liquidity	Correlation Coefficient	-.066
		Sig. (2-tailed)	.583
		N	72
	Unstandardized Residual	Correlation Coefficient	1,000
		Sig. (2-tailed)	.
		N	72

Source: Data processed 2025 (Appendix 7)

Spearman's rho is a statistical approach used to correlate unbiased variables with their residuals. Spearman's rho checking out makes use of a significance level of 0.05. If the correlation between the independent variable and the residual exceeds 0.05, it can be considered free from heteroscedasticity concerns (Christine et al., 2019). The results of the heteroscedasticity test using Spearman's rho in Table 4.5 obtained Sig. (2-tailed) values for credit risk, capital adequacy, and liquidity, respectively, showing 0.216; 0.485 and 0.583. The regression equation in this study does not experience heteroscedasticity because the Sig. (2-tailed) value of each variable is greater than 0.05. Based on this modeling, it shows that the regression model in this study is free from symptoms of heteroscedasticity.

Results of Multiple Linear Regression Analysis

Table 6. Results of Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	-2,188	1,113		-1,966	.053
Credit Risk	-.032	.028	-.120	-1.135	.260
Capital Adequacy	.032	.008	.463	4,081	.000
Liquidity	.043	.013	.386	3,400	.001

Source: Data processed 2025 (Appendix 8)

The results of the multiple linear regression analysis in Table 6. obtained multiple linear regression as follows:

Y = -2.188 - 0.032 + 0.032 + 0.043$X_1X_2X_3$

Each variable's direction is shown by the multiple linear regression equation. The regression equation above can be interpreted as follows:

1) The constant value (α) of -2.188, states that the level of profitability will decrease by 2.188 percent when credit risk, capital adequacy, and liquidity have a value equal to 0.
2) The regression coefficient for the credit risk variable, with a value of -0.032, indicates a negative trend, indicating that profitability will decrease by 0.032 if credit risk increases by one percent..
3) The regression coefficient for the capital adequacy variable, with a value of 0.032, indicates a positive trend, indicating that profitability will increase by 0.032 if capital adequacy increases by one percent.
4) The regression coefficient for the liquidity variable, with a value of 0.043, indicates a positive trend, indicating that profitability will increase by 0.043 if liquidity increases by one percent.

Results of the Determination Coefficient Test

Table 1. Results of the Determination Coefficient Test

Model Summary

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	.496a	.246	.213	1.39272

Source: Data processed 2025 (Appendix 8)

Considering the findings of the analysis shown in Table 7, the Adjusted R Square value in this study is 0.213, which means that 21.3 percent of profitability (Y) is influenced by credit risk (X_1), capital adequacy (X_2), and liquidity (X_3), while the remaining 78.7 percent is influenced by other variables outside the regression model examined in this study.

Model Feasibility Test Results (F Test)

Table 1. Model Feasibility Test Results (F Test)

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	43,104	3	14,368	7,407	.000b
	Residual	131,898	68	1,940		
	Total	175,002	71			

Source: Data processed 2025 (Appendix 9)

Based on the analysis results presented in Table 8, the significance value is 0.000, which is less than 0.05 (0.000 < 0.05). Consequently, it may be inferred that the variables of credit risk, capital adequacy, and liquidity all exert a major influence on profitability.

Hypothesis Test Results (t-Test)

1) The Effect of Credit Risk (X_1) on Profitability (Y)
   H1 = Credit Risk Has a Negative and Significant Impact on Profitability
   The credit risk variable on profitability shows a significance value of 0.260 which is greater than 0.05 (Sig = 0.260 > 0.05), this shows that the credit risk variable has an insignificant influence on profitability and the calculated t value of -1.135 has a negative direction provided that the other independent variables have a constant value or are equal to 0. Based on these results, it can be stated that this study is rejected.$X_1 H_1$
2) The Effect of Capital Adequacy (X_2) on Profitability (Y)
   H2 = Capital Adequacy Has a Positive and Significant Influence on Profitability
   The capital adequacy variable on profitability shows a significance value of 0.000 which is smaller than 0.05 (Sig = 0.000 < 0.05), this shows that the capital adequacy variable has a significant influence on profitability and the calculated t value of 4.081 has a positive direction provided that the other independent variables have a constant value or are equal to 0. Based on these results, it can be stated that this research is accepted.$X_2 H_2$

3) The Effect of Liquidity (X_3) on Profitability (Y)
   H3 = Liquidity Has a Positive and Significant Effect on Profitability
   The liquidity variable on profitability shows a significance value of 0.001 which is smaller than 0.05 (Sig = 0.001 < 0.05), this shows that the liquidity variable has a significant influence on profitability and the calculated t value of 3.400 has a positive direction provided that the other independent variables

have a constant value or are equal to 0. Based on these results, it can be stated that this research is accepted.

DISCUSSION

The Impact of Credit Risk on Profitability

The statistical test results in Table 6 show that the regression coefficient (b1) is negative, at -0.032 with a significance level of 0.260, which is greater than 0.05. These results indicate that credit risk, as proxied by NPL, has a negative and insignificant effect on the profitability of BPRs in Gianyar Regency for the 2020-2022 period. This means that although the direction of the relationship shows a negative trend, the statistical effect of credit risk is not proven to be significant. This analysis disproves the notion that credit risk significantly and negatively affects profitability based on the findings of the research. This condition indicates that any increase or decrease in NPL does not have a significant impact on the level of profitability of BPRs in Gianyar Regency during the study period.

Theoretically, an increase in NPLs reflects increased credit risk, which should depress corporate profits due to potential losses from non-performing loans. Empirical results in this study do not significantly support this theory, indicating that credit risk is not sufficiently strong to impact profitability. Several factors that may explain this finding include the potential ability of rural bank (BPR) management to manage non-performing loans to minimize their impact on corporate profits and the existence of other sources of income within BPRs that can offset potential losses from NPLs. This means that when the NPL is considered unhealthy, BPRs still have other sources of income to cover potential credit problems that could lead to losses. Therefore, an dangerous NPL within BPRs does now not pose a widespread impact on profitability. This findings accord with prior research by employing Aztari (2023) and Priana et al. (2023), which discovered that credit risk has no impact on profitability. Research by Putri & Pardede (2023), which discovered that credit risk has a negative and negligible impact on profitability, lends additional credence to this study.

The Effect of Capital Adequacy on Profitability

The statistical take a look at results in table 6 display that the regression coefficient (b2) is fantastic, namely 0.032 with a importance level of 0.000, because of this it's miles smaller than = 0.05. these consequences imply that the capital adequacy variable, proxied by using automobile, has a positive and full-size effect at the profitability of BPR Gianyar Regency for the 2020-2022 period. Therefore, in this study, the statement that capital adequacy has a positive and significant effect on profitability is accepted. The results of the study indicate that if the capital adequacy of BPR increases, profitability will also increase, and vice versa, if the level of capital adequacy of BPR decreases, the level of BPR profitability will also decrease.

Capital adequacy reflects a bank's potential to soak up losses springing up from its activities.Based on banking financial management theory, a bank's health can be reflected through its financial performance. Studies findings imply that rural banks' economic overall performance, as measured by means of the capital adequacy ratio, suggests the financial institution's capability to take in the danger of losses arising from its financial operations. The better the auto ratio, the greater the financial institution's capability to absorb capacity losses, in the end fostering stability and self assurance in banking operations.

Operational stability at rural banks (BPR) will certainly provide more room for banks to increase lending activities and business expansion, which will positively impact profit generation (profitability). The results of this study align with previous research conducted by Utomo & Trisnawati (2021) and Sunaryo (2020), which found that capital adequacy has a positive and significant impact on profitability. This research is also supported by research conducted by Bata et al. (2022), which found that capital adequacy has a positive and significant impact on profitability.

The Effect of Liquidity on Profitability

The statistical test results in Table 6 show that the regression coefficient (b3) is positive, namely 0.043 with a significance level of 0.001, which means it is smaller than = 0.05. These results indicate that the liquidity variable proxied by LDR has a positive and significant effect on the profitability of BPR Gianyar Regency for the 2020-2022 period, so that in this study, the statement that liquidity has a positive and significant effect on profitability is accepted. The results of the research conducted mean that if BPR liquidity increases, profitability will also increase, and conversely, if the level of BPR liquidity decreases, the level of BPR profitability will also decrease.αH_3

Banking financial management emphasizes the importance of liquidity as an indicator of bank health and its financial performance. High liquidity enables banks to meet their short-term obligations, such as customer withdrawals and other payments. When banks have sufficient liquidity, they can channel credit to customers more effectively and efficiently, ultimately increasing interest income. In this regard, the level of liquidity indicates that rural banks (BPR) are able to meet their short-term obligations. This research aligns with banking financial management because BPRs have relatively healthy financial performance and can increase profitability.

The research results illustrate that rural banks (BPR) are able to disburse the necessary funds to finance their obligations or provide increasing credit. These results indicate that the higher the LDR ratio, the higher the BPR's profitability. This can be explained by the fact that when BPRs are able to effectively channel their funds in the form of credit, they will generate optimal interest income, which will ultimately increase the company's profitability. Conversely, if BPRs are unable to channel their funds optimally, their profit potential will also decrease. The results of this study align with previous research conducted by Cristina & Artini (2018) and Sochib et al. (2023), which stated that liquidity has a positive and significant effect on profitability. This research is also supported by research conducted by Yuniari & Badjra (2019), which states that liquidity has a positive and significant effect on profitability.

CONCLUSIONS

The following conclusions can be made in light of the outcomes of the tests that have been conducted and the debate that was detailed in the preceding chapter.

1) Credit risk had no significant effect on profitability at rural banks in Gianyar Regency from 2020 to 2022. This indicates that although the relationship tends to be negative, the statistical effect of credit risk was not proven to be significant. This indicates that any increase or decrease in NPLs did not significantly impact the profitability of rural banks in Gianyar Regency during the study period.
2) Capital adequacy had a positive and significant impact on profitability at BPR Gianyar Regency from 2020 to 2022. This study demonstrates the company's ability to manage capital adequacy, reflecting the bank's ability to bear the risk of losses from its operational activities. Consequently, the higher the capital adequacy, the better the BPR's profitability.
3) Liquidity had a tremendous and substantial effect on profitability at BPR Gianyar Regency from 2020 to 2022.This indicates that BPRs are able to effectively channel their funds into loans, resulting in optimal interest income, which ultimately increases company profitability.

RECOMMENDATIONS

Based totally at the research findings, the following guidelines can be supplied. For businesses, the outcomes of this observe can be used as a foundation for monitoring and controlling operations to increase profitability. Maintaining profitability can be achieved by paying attention to influencing factors, such as capital adequacy and BPR liquidity.

ADVANCED RESEARCH

For further researchers, researchers can provide the following suggestions:

a. The results of this study can be used as a consideration in conducting further research using other variables suspected of influencing profitability. The adjusted value in this study was only 21.3 percent, meaning that there are still 78.7 percent of factors outside this research model that can influence profitability. Other factors that may influence profitability include company size, capital structure, and asset turnover.R^2
b. Further research can re-test BPR using credit risk variables, because in this study credit risk was stated to have no effect on profitability.

REFERENCES

Andrayani, E. A. (2018). Pengaruh Kecukupan Modal, Risiko Kredit, Efisiensi Operasional, Dan Likuiditas Terhadap Profitabilitas Perusahaan Perbankan di Indonesia. *Jurnal Manajemen Bisnis Indonesia (JMBI)*, *7*, 378–389.

Andrianto, Fatihudin, D., & Frimansyah, A. (2019). *Manajemen Bank*. http/:www.qiaramediapartner.blogspot.com

Anggari, N. L. S., & Dana, I. M. (2020). The Effect of Capital Adequacy Ratio, Third Party Funds, Loan to Deposit Ratio, Bank Size on Profitability in Banking Companies on IDX. *American Journal of Humanities and Social Sciences Research*, *4*(1), 334–338. www.ajhssr.com

Anjali, N. K. D., & Sudirman, I. M. S. N. (2024). Pengaruh likuiditas, kecukupan modal, efisiensi manajemen dan risiko kredit terhadap pertumbuhan kredit bank umum di bei. *E-Jurnal Ekonomi Dan Bisnis Universitas Udayana*, *13*(7), 1524–1533. https://ojs.unud.ac.id/index.php/EEB/index

Artika, I. B. E., & Marini, I. A. K. (2023). Peranan Bank Perkreditan Rakyat (Bpr) Dalam Meningkatkan Kegiatan Usaha Mikro, Kecil Dan Menengah (Umkm) Di Nusa Tenggara Barat. *Ganec Swara*, *17*(4), 1906. https://doi.org/10.35327/gara.v17i4.649

Astuti, E. P., Hermawati, R., & Handayani, R. (2023). Pengaruh Capital Adequacy Ratio Dan Loan To Deposit Ratio Terhadap Return on Asset Pada Pt Bank Mandiri. *Scientific Journal Of Reflection : Economic, Accounting, Management and Business*, *6*(1), 143–150. https://doi.org/10.37481/sjr.v6i1.628

Aztari, R. A. (2023). Pengaruh Risiko Kredit, Struktur Modal, Dan Likuiditas Terhadap Profitabilitas Pada Perusahaan Perbankan Yang Terdaftar Di Bursa Efek Indonesia Farida Idayati Sekolah Tinggi Ilmu Ekonomi Indonesia (STIESIA) Surabaya. *Jurnal Ilmu Dan Riset Akuntansi*, 1–19.

Basri, S. C. S., & Dermawan, E. S. (2021). Pengaruh Npl Dan Ldr Terhadap Profitabilitas (Roa). *Competitive Jurnal Akuntansi Dan Keuangan*, *6*(1), 138–144.

Bata, Y. N., Trisnawati, E., & Budiono, H. (2022). The Effects of Capital and Liquidity on Profitability with Credit Problem as a Moderating Variable Among Conventional Commercial Banks. *Proceedings of the Tenth International Conference on Entrepreneurship and Business Management 2021 (ICEBM 2021)*, *653*(Icebm 2021), 56–62. https://doi.org/10.2991/aebmr.k.220501.010

Bustam, N. (2021). Analisis Manajemen Penggunaan Dana Bank Berdasarkan USE of Fund by Priority Dalam Mengoptimalkan Profitabilitas Perbankan Syariah di Indonesia. *Islamic Business and Finance (IBF)*, *2*(1), 23–43.

Christine, D., Wijaya, J., Chandra, K., Pratiwi, M., Lubis, M. S., & Nasution, I. A. (2019). Pengaruh Profitabilitas, Leverage, Total Arus Kas dan Ukuran Perusahaan terhadap Financial Distress pada Perusahaan Property dan Real Estate yang Terdapat di Bursa Efek Indonesia Tahun 2014-2017. *Jesya (Jurnal Ekonomi & Ekonomi Syariah)*, *2*(2), 340–350. https://doi.org/10.36778/jesya.v2i2.102

Cristina, K. M., & Artini, L. G. S. (2018). Pengaruh Likuiditas, Risiko Kredit, Dan Dana Pihak Ketiga Terhadap Profitabilita Pada Bank Perkreditan Rakyat (BPR). *E-Jurnal Manajemen Unud*, *7*(6), 3353–3383. https://doi.org/https://doi.org/10.24843/EJMUNUD.2018.v7.i06.p18 ISSN

Damayanti, L., & Susila, J. (2022). Pengaruh Likuiditas dan Risiko Kredit terhadap Profitabilitas pada Lembaga Perkreditan Desa di Kecamatan Kerambitan pada Masa Pandemi Covid-19. *Jurnal Akuntansi Profesi*, *13*(3), 856–866.

Daromes, F. E., & Jao, R. (2020). Peran Mediasi Kinerja Keuangan pada Pengaruh

Dewan Direksi Terhadap Reaksi Investor Mediation Role of Financial Performance on the Effect of Board of Directors on Investor Reactions. *Jurnal Akuntansi*, *10*(1), 77–92. https://doi.org/10.33369/j.akuntansi.9.3.77-92

Dewi, K. E. Y., Widnyana, I. W., & Gunadi, I. G. N. B. (2022). Pengaruh Risiko Kredit, Perputaran Kas, Likuiditas Serta Tingkat Kecukupan Modal Terhadap Profitabilitas Perbankan Yang Terdaftar Di Bursa Efek Indonesia. *Jurnal Emas*, *3*(7), 149–162.

Fauzan, Wishanesta, Ruswaji, Nasution, Damanik, Wahyurini, Faliza, Sudirjo, Manan, & Sofyanty. (2023). *Manajemen Perbankan Indonesia*.

Hamidah, F. K., Tristiarini, N., Minarso, B., Prajanto, A., Kunci, K., & Keuangan, R. (2023). Pengaruh Kinerja Keuangan Terhadap Profitabilitas Bank Umum Indonesia Di Masa Pandemi Covid-19. *Jurnal Riset Terapan Akuntansi*, *7*, 52–64.

Indonesia, U. U. (2024). Undang Undang Nomor 10 Tahun 1998 Tentang Perbankan.

Kasmir, D. (2019). *Pengantar Manajemen Keuangan*. Jakarta: Prenadamedia Group.

Madugu, A. H., Ibrahim, M., & Amoah, J. O. (2020). Differential effects of credit risk and capital adequacy ratio on profitability of the domestic banking sector in Ghana. *Transnational Corporations Review*, *12*(1), 37–52. https://doi.org/10.1080/19186444.2019.1704582

Mukaromah, N., & Supriono, S. (2020). Pengaruh Kecukupan Modal, Risiko Kredit, Efisiensi Operasional, Dan Likuiditas Terhadap Profitabilitas Perbankan Yang Terdaftar Di Bursa Efek Indonesia Tahun 2015 – 2017. *Journal of Economic, Management, Accounting and Technology*, *3*(1), 67–78. https://doi.org/10.32500/jematech.v3i1.1082

Nurdiana, D. (2018). Pengaruh Ukuran Perusahaan dan Likuiditas terhadap Profitabilitas. *Menara Ilmu*, *12*(6), 77–88. https://jurnal.umsb.ac.id/index.php/menarailmu/article/viewFile/831/742

Nuryanto, U. W., Salam, A. F., Sari, R. P., & Suleman, D. (2020). Pengaruh Rasio Kecukupan Modal, Likuiditas, Risiko Kredit, Efisiensi Biaya Dan Tingkat Inflasi Terhadap Profitabilitas Pada Sektor Perbankan. *Jurnal Aktiva : Riset Akuntansi Dan Keuangan*, *2*(1), 41–55. https://doi.org/10.52005/aktiva.v2i2.67

Otoritas Jasa Keuangan. (2024). *Laporan Statistik Otoritas Jasa Keuangan*. https://ojk.go.id/id/kanal/perbankan/Pages/Bank-Perkreditan-Rakyat.aspx

Prameswari, A. A. A. P., & Rahyuda, H. (2024). Pengaruh Likuiditas Dan Risiko Kredit Terhadap Profitabilitas Dengan Kecukupan Modal Sebagai Variabel Mediasi. *Buletin Studi Ekonomi*, *29*(01), 50. https://doi.org/10.24843/bse.2024.v29.i01.p05

Pratama, I. P. S. A., Yuesti, A., & Bhegawati, D. A. S. (2021). Pengaruh Tingkat Risiko Kredit, Risiko Likuiditas, Risiko Operasional, Risiko Tingkat Bunga dan Kecukupan Modal Terhadap Profitabilitas Bank Perkreditan Rakyat di Kota Denpasar Tahun 2016-2019. *Jurnal Akuntansi*, *1*(1), 373–381.

Priana, Z. Z., Maharani, S. L., & Leon, F. M. (2023). the Influence of Credit Risk and Liquidity Risk on the Performance of Banks Listed on the Indonesian Stock Exchange. *Marginal Journal of Management Accounting General Finance and International Economic Issues*, *2*(4), 876–891. https://doi.org/10.55047/marginal.v2i4.737

Putri, N. A., & Pardede, R. P. (2023). Pengaruh Risiko Kredit, Risiko Likuiditas Dan Risiko Operasional Terhadap Profitabilitas Bank BUMN Periode 2013-2020. *Jurnal Ilmiah Akuntansi Kesatuan*, *11*(2). https://doi.org/10.37641/jiakes.v11i2.1612

Saputri, D. N. (2021). The Effect Of Non Performing Loan, Loan To Deposit Ratio And Third Party Funds On Profitability During The Covid-19 Pandemic In Government Banking. *Pharmacognosy Magazine*, *75*(17), 399–405.

Sari, F. N., & Endri, E. (2019). Determinants of Return on Assets (ROA) On Conventional Banks Listed On Indonesian Stock Exchange (IDX) Period 2013-2017. *IOSR Journal of Business and Management*, *21*(4), 52–62. https://doi.org/10.9790/487X-2104025262

Satwika, A. agung ananda. (2023). Pengaruh Kualitas Laporan Keberlanjutan dan Risiko pada Profitabilitas Perusahaan. *… Bisnis: Jurnal Publikasi Ilmu Manajemen Dan …*, *2*(3). https://jurnaluniv45sby.ac.id/index.php/Digital/article/view/1572%0Ahttps://jurnaluniv45sby.ac.id/index.php/Digital/article/download/1572/1234

Sochib, S., Liyundira, F. S., & Yulianti, A. (2023). The Effect of LDR, NPL, CAR on Return on Asset of Conventional National Commercial Bank in Indonesia. *International Journal of Accounting and Management Research*, *3*(2), 51–59. https://doi.org/10.30741/ijamr.v4i1.1104

Sofyan, M. (2019). Faktor-Faktor Yang Mempengaruhi Profitabilitas Bank Perkreditan Rakyat (BPR) di Provinsi Jawa Timur. *Jurnal Inspirasi Bisnis Dan Manajemen*, *3*(1), 63. https://doi.org/10.33603/jibm.v3i1.2093

Stanley, J., Hutahaean, T. F., Sinaga, R. U. A., Vita, & Sonia. (2023). the Effect of Car and Npl on Roa in Banking Companies Listed on the Indonesia Stock Exchange for the 2019-2022 Period. *International Journal of Management Studies and Social Science Research*, *05*(04), 111–118. https://doi.org/10.56293/ijmsssr.2022.4667

Sugiyono, P. D. (2022). *Metode Penelitian Kuantitatif, Kualitatif, dan R&D*. Bandung: Alfabeta.

Sunaryo, D. (2020). The Effect Of Capital Adequacy Ratio (CAR), Net Interest Margin (NIM), Non-Performing Loan (NPL), and Loan To Deposit Ratio (LDR) Against Return On Asset (ROA) In General Banks In Southeast Asia 2012-2018. *Ilomata International Journal of Management*, *1*(4), 149–158. https://doi.org/10.52728/ijjm.v1i4.110

Syawia, A. A., & Marlius, D. (2023). Analisis Rasio Profitabilitas PT . Bank Perkreditan Rakyat. *British Accounting Review*, *55*(3), 1–12. https://osf.io/c9k3r%0Ahttps://doi.org/10.1016/j.bar.2023.101174

Uddin, M. K. (2022). Effect of Leverage, Operating Efficiency, Non-Performing Loan, and Capital Adequacy Ratio on Profitability of Commercial Banks in Bangladesh. *European Journal of Business and Management Research*, *7*(3), 289–

295. https://doi.org/10.24018/ejbmr.2022.7.3.1463

Utama, P. D. (2016). *Aplikasi Analisis Kuantitatif.* Denpasar: C.V. Sastra Utama.

Utomo, N. R. H., & Trisnawati, R. (2021). Pengaruh CAR, TPF, NPL, dan Bank Size terhadap Profitabilitas Sektor Perbankan di BEI. *Jurnal STIE Semarang*, *13*(3), 86–103.

Wardani, M. K., Ningsih, N. L. A. P., & Dewi, M. P. (2021). Optimalisasi Profitabilitas Perbankan Melalui Pengelolaan Kecukupan Modal Dan Likuiditas Serta Risiko Kredit. *KRISNA: Kumpulan Riset Akuntansi*, *12*(2), 320–327. https://doi.org/10.22225/kr.12.2.2688.320-327

Wiagustini, N. L. (2014). *Manajemen Keuangan.* Denpasar: Udayana University Press.

Wea, K. I., Darma, I. K., & Bagiada, K. (2022). Pengaruh Kecukupan Modal, Non Performing Loan (NPL) dan Dana Pihak Ketiga Terhadap Profitabilitas Perbankan (Studi Kasus Pada Bank Umum Yang Terdaftar Di Bursa Efek Indonesia Tahun 2013-2018). *Warmadewa Economic Development Journal (WEDJ)*, *5*(1), 1–5. https://doi.org/10.22225/wedj.5.1.2022.1-5

Wulandari, N. S. D., & Purbawangsa, I. B. . (2019). *Pegaruh NPL Dan LDR Terhadap Profitabilitas Dengan CAR Sebagai Variabel Mediasi Pada LPD Kota Denpasar*. *8*(4), 2098–2124. https://doi.org/https://doi.org/10.24843/EJMUNUD.2019.v8.i4.p8

Yasin, A., & Fisabilillah, L. W. P. (2021). Analisis Komparasi Kinerja Keuangan Bank Perkreditan Rakyat (BPR) Sebelum dan Pada Pandemi Covid-19. *EQUILIBRIUM : Jurnal Ilmiah Ekonomi Dan Pembelajarannya*, *9*(2), 142. https://doi.org/10.25273/equilibrium.v9i2.10011

Yuniari, N. P., & Badjra, I. B. (2019). Pengaruh Likuiditas, Efisiensi, Dan Ukuran Bank Terhadap Profitabilitas. *E-Jurnal Manajemen Universitas Udayana*, *8*(6), 3502. https://doi.org/10.24843/ejmunud.2019.v08.i06.p08