

**ANALYSIS OF THE EFFECT OF RETURN ON ASSETS AND RESERVE
REQUIREMENT RATIO ON NON PERFORMING LOAN THROUGH
CAPITAL ADEQUACY RATIO AS A VARIABLE MEDIATION
(CASE STUDY OF CONVENTIONAL COMMERCIAL
BANKS IN INDONESIA)**

UNDERGRADUATE THESIS



By :

Carissa Klarin Yovanda
22011010077/FEB/EP

**DEPARTMENT OF DEVELOPMENT ECONOMICS
FACULTY OF ECONOMICS AND BUSINESS
UNIVERSITAS PEMBANGUNAN NASIONAL "VETERAN"
EAST JAVA
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**Submitted in Partial Fulfillment of the Requirements for
the Degree of Bachelor of Economics**



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By:

Carissa Klarin Yovanda
22011010077 /FEB/EP

**Defended Before and Approved by the Board of Examiners
Department of Development Economics, Faculty of Economics and Business
Universitas Pembangunan Nasional "Veteran" Jawa Timur
Date : May 12, 2026**

**Approved by:
Advisor**

**Board of Examiners:
Chairperson**

Sishadiyati, S.E., M.M., CRMO
NIP. 198012162021212006

Prof. Dr. Syamsul Huda, S.E., M.T
NIP.195908281990031001

Examiner

Dr. Mohammad Wahed, S.E., M.E
NIP. 17119889120040

**Aknowledged by,
Dean of the Faculty of Economics and Business
Universitas Pembangunan Nasional "Veteran" Jawa Timur**

Dr. Dra. Ec. Iri Kartika Pertiwi, M.Si, CRP.,
NIP. 196304201991032001

UNDERGRADUATE THESIS ORIGINALITY STATEMENT

I, the undersigned :

Name : Carissa Klarin Yovanda
NPM : 22011010077
Program : Undergraduate Program
Study Program : Development Economics
Faculty : Faculty of Economics and Business

Hereby declare that this undergraduate thesis does not contain any part of other scientific works that have previously been submitted to obtain an academic degree at any higher education institution. Furthermore, there are no works or opinions written or published by other individuals or institutions, except those properly cited in this thesis and fully listed in the bibliography.

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Thus, this statement is made truthfully and without any coercion from any party, to be used as appropriate.

Surabaya, May 12, 2026



Carissa Klarin Yovanda
22011010077

FOREWORD

All praise be to Allah SWT for all His mercy and guidance, so that the author can complete a thesis entitled "**Analysis of the Effect of Return on Assets and Reserve Requirement Ratio on Non-Performing Loan Through Capital Adequacy Ratio as a Mediation Variable (Case Study of Conventional Commercial Banks in Indonesia)**". The writing of the thesis that has been compiled is a form of effort to fulfill the academic requirements to obtain a Bachelor of Economics degree at the Development Economics Study Program, Faculty of Economics and Business, "Veteran" National Development University of East Java.

In the process of compiling, it is fully realized that this thesis will not be completed optimally without the contribution, support, and involvement of various parties. Therefore, a sincere appreciation should be conveyed to Mrs. Sishadiyati, S.E., M.M., as the supervisor, who has taken the time, provided direction, and channeled guidance continuously until the preparation of this thesis could be completed as it should be.

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The author is fully aware that in the process of preparing this thesis there are still various limitations and shortcomings that need to be further corrected. Therefore, any form of criticism and constructive suggestions will be highly appreciated as an effort to improve in the future. Thus, it is hoped that the results of this research will not only provide a benefit, but also expand the treasure of insights, especially the scope of development economics.

In the end, hopes and prayers are also embedded so that this study can provide a more comprehensive understanding of the relationship between Return on Assets (ROA) and Reserve Requirement Ratio (GWM) to Non Performing Loan (NPL), taking into account the role of Capital Adequacy Ratio (CAR) as a mediating variable that bridges the relationship.

Surabaya, May 20, 2026

The Author

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Carissa Klarin Yovanda

Departement of Development Economics, Faculty of Economics and Business, UPN

“Veteran” East Java

22011010077@student.upnjatim.ac.id

ABSTRACT

The banking sector in Indonesia plays a crucial role in supporting financial stability and economic growth, particularly through credit distribution and risk management. This study analyzes the effect of Return on Assets (ROA) and Reserve Requirements Ratio (GWM) on Non-Performing Loan (NPL) with Capital Adequacy Ratio (CAR) as an intervening variable in conventional commercial banks in Indonesia during 2015–2025 using the Partial Least Square (PLS) method. The results show that ROA has a negative and significant effect on NPL, while GWM and CAR have negative but insignificant effects. ROA has a positive but insignificant effect on CAR, whereas GWM negatively and insignificantly affects CAR. Furthermore, CAR is not able to mediate the relationship between ROA and NPL or between GWM and NPL. The findings indicate that the direct effect of ROA on NPL is more dominant, while GWM does not have a significant influence either directly or indirectly. These results suggest that credit quality is more influenced by internal factors such as profitability and asset management rather than liquidity policies and capital adequacy.

Keywords: Return on Assets, Reserve Requirements, Capital Adequacy Ratio, Non-Performing Loans, Banking.

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