

## CHAPTER V

### CONCLUSIONS AND RECOMMENDATIONS

#### 5.1. Conclusions

Based on the entire analysis process and discussion that has been carried out previously, a conclusion can be drawn that :

1. Financial performance in each conventional commercial bank in Indonesia during the period 2015-2025 tends to be in a condition that is not completely stable or volatile, which can be observed from the movement of Return On Assets (ROA), Reserve Requirement Ratio (GWM), Non-Performing Loan (NPL), and Capital Adequacy Ratio (CAR) which fluctuates from time to time; Even in certain periods such as during the crisis in 2020, a significant decline occurred, so it can indicate that economic conditions have a strong relationship in affecting the stability as well as performance of the banking sector as a whole.
2. Return On Assets (ROA) variable in this case can be said to have a negative and significant influence on Non-Performing Loans (NPL), where every increase in ROA is actually followed by a decrease in the NPL rate with this condition indirectly illustrating that the higher the bank's profitability level, the ability to manage assets and distribute credit more selectively tends to be better, so that the potential for non-performing loans can be further suppressed, and thus ROA can be seen as one of the factors that is quite dominant in influencing credit quality in the banking sector.

3. Reserve Requirement Ratio (GWM) variable in this case can be understood to have a tendency to have a negative tendency towards Non-Performing Loans (NPL), but the magnitude of this influence does not show sufficient statistical significance, so even though each increase in reserve requirements ratio appears to be followed by a decrease in NPL, the relationship that occurs is not strong enough to really explain the changes that exist conclusively. This shows that the reserve requirement policy as a monetary instrument focuses more on controlling banking liquidity and does not directly affect credit quality or non-performing credit levels.
4. Capital Adequacy Ratio (CAR) variable has a negative but not significant effect on Non-Performing Loans (NPL). This means that although increasing capital adequacy can help reduce the risk of non-performing loans, in this study this effect was not significantly proven. This indicates that capital adequacy is not the main factor in determining the high and low NPL.
5. Return On Assets (ROA) variable has a positive but not significant effect on the Capital Adequacy Ratio (CAR). This shows that an increase in bank profitability is not necessarily followed by an increase in capital adequacy, because bank capital is also influenced by internal policies and banking regulations.

6. Reserve Requirement Ratio (GWM) variable has a negative and insignificant effect on the Capital Adequacy Ratio (CAR). This indicates that changes in the reserve requirement do not directly affect the bank's capital level, but only have an impact on the short-term liquidity aspect.
7. Capital Adequacy Ratio (CAR) variable in this case cannot be said to be able to mediate the relationship between ROA to NPL and Reserve Requirement Ratio to NPL, which condition can be understood because the relationship between ROA to CAR and CAR to NPL both does not show significance which means that the influence of ROA on NPL tends to occur directly without having to go through the intermediary of CAR, meanwhile, the reserve requirement ratio does not appear to have an influence, either directly or indirectly, on NPL so that its role in the relationship becomes relatively limited.
8. Comparison of influences shows that the direct influence of ROA on NPL is much more dominant than the indirect influence through CAR. Meanwhile, in the reserve requirement variable, both direct and indirect influences are insignificant, so they do not make a meaningful contribution to the change in NPL.

## **5.2. Recommendations**

1. From the banking side, it is hoped that there will be an improvement in profitability performance through asset management that is made more effective and efficient, so that in the end the Return on Assets (ROA) can be pushed up and the level of Non-Performing Loans can be further suppressed;

It does not stop there, strengthening credit risk management also needs to be paid more attention, so that the quality of financing distribution is maintained and does not experience a significant decline.

2. Banks need to maintain a balance between credit expansion and capital adequacy ratio in order to remain able to absorb potential loss risks. Strengthening capital is important, especially in the face of fluctuations in economic conditions that can increase the risk of non-performing loans.
3. The regulator is expected to set Reserve Requirement Ratio (GWM) policy more flexibly and adaptively to economic conditions. The right policies will help maintain banking liquidity without hindering credit disbursement, so that the risk of increasing NPL can be minimized.
4. Banks need to improve operational efficiency and liquidity management so that the impact of changes in monetary policy, especially reserve requirements, can be properly anticipated. This is important to maintain financial performance stability and reduce the potential risk of non-performing loans.
5. In the next study, it may be considered to add a number of other variables such as interest rates, inflation, and Loan to Deposit Ratio (LDR) which were previously not fully included, as well as the object of the study was also expanded, which was originally only focused on conventional commercial banks to be not limited to it, but also includes Islamic banks or even directed to cross-country comparisons so that the scope of analysis It feels more

diverse and less narrow. In addition, the use of more complex analysis methods is expected to provide more comprehensive and accurate results.