The Effect of Leverage, Liquidity, and Net Interest Margin on the Profitability of State-Owned Banks in Indonesia

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ABSTRACT

Banking plays a crucial role in the economy through its intermediation function, making profitability a key indicator of financial performance. This study aims to examine the effects of leverage, liquidity, and Net Interest Margin (NIM) on the profitability of State-Owned Commercial Banks (SOCBs) in Indonesia during the 2015–2024 period. Profitability is measured using Return on Assets (ROA), while leverage and liquidity are proxied by the Debt to Equity Ratio (DER) and Loan to Deposit Ratio (LDR), respectively. Panel data regression with the Estimated Generalized Least Squares (EGLS) approach is employed to address heteroskedasticity in the initial model. The data are obtained from the annual financial statements of SOCBs. The results indicate that DER has a negative and significant effect on ROA, LDR has no significant effect, whereas NIM has a positive and significant effect and is the most dominant factor influencing profitability. These findings highlight the importance of effective net interest income management in improving the profitability of state-owned banks.

Keywords: *Leverage, liquidity, net interest margin, profitability, EGLS.*

Pengaruh *Leverage,* Likuiditas, dan *Net Interest Margin* terhadap Profitabilitas Bank BUMN di Indonesia Periode 2015–2024

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ABSTRAK

Perbankan berperan penting dalam perekonomian melalui fungsi intermediasi, sehingga profitabilitas menjadi indikator kinerja yang utama. Penelitian ini bertujuan menganalisis pengaruh *leverage,* likuiditas, dan *Net Interest Margin* (NIM) terhadap profitabilitas Bank Umum Milik Negara (BUMN) di Indonesia periode 2015–2024. Profitabilitas diukur menggunakan *Return on Assets* (ROA), sedangkan *leverage* dan likuiditas diproksikan dengan *Debt to Equity Ratio* (DER) dan *Loan to Deposit Ratio* (LDR). Metode analisis yang digunakan adalah regresi data panel dengan pendekatan *Estimated Generalized Least Squares* (EGLS). Data diperoleh dari laporan keuangan tahunan bank BUMN. Hasil penelitian menunjukkan bahwa DER berpengaruh negatif dan signifikan terhadap ROA, LDR tidak berpengaruh signifikan, sementara NIM berpengaruh positif dan signifikan serta menjadi variabel paling dominan. Temuan ini menegaskan bahwa pengelolaan pendapatan bunga bersih memiliki peran penting dalam meningkatkan profitabilitas bank BUMN.

Kata kunci: *Leverage*, Likuiditas, *Net Interest Margin*, Profitabilitas, EGLS.