

***THE INFLUENCE OF GOOD CORPORATE GOVERNANCE,
CAPITAL ADEQUACY, CREDIT RISK, AND EFFICIENCY
ON PROFITABILITY***

*(Study of Banking Companies Actively Listed in the LQ-45 Index
on the Indonesia Stock Exchange for the 2014–2025 Period)*

By:
Muhamad Yusep Usmar
NIM: 228334053

ABSTRACT

Guided by:

Dedi Kusmayadi
Apip Supriadi

This study aims to analyze the effect of Good Corporate Governance (GCG), capital adequacy, credit risk, and efficiency on profitability in banking companies actively listed in the LQ-45 Index on the Indonesia Stock Exchange during the period of 2014–2025. This research was motivated by the importance of profitability as an indicator of financial performance and banking stability amid global and domestic economic dynamics. The sample consists of four banking companies selected using purposive sampling. Profitability was measured by Return on Assets (ROA), Good Corporate Governance was proxied by the Corporate Governance Perception Index (CGPI), capital adequacy by the Capital Adequacy Ratio (CAR), credit risk by the Non-Performing Loan (NPL), and efficiency by the Operating Expenses to Operating Income ratio (BOPO). This study employs a quantitative method with descriptive and verificative approaches. The data used are secondary data obtained from annual reports, the Indonesia Stock Exchange, and other related institutions. The data were analyzed using panel data regression with Stata 17 software, including classical assumption tests, model selection, coefficient of determination, and hypothesis testing both simultaneously and partially. The results indicate that Good Corporate Governance, capital adequacy, credit risk, and efficiency simultaneously have a significant effect on profitability. Partially, Good Corporate Governance has a negative and significant effect on profitability, capital adequacy has a negative effect on profitability, credit risk has a positive effect on profitability, and efficiency has a negative and significant effect on profitability.

Keywords: Good Corporate Governance, Capital Adequacy Ratio, Non-Performing Loan, BOPO, Profitability, Return on Assets, Banking.