



The Effect of Risk Profile, Profitability, and Capital on Profit Growth of Indonesian Digital Banks

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Received : October 18, 2023

Accepted : December 28, 2023

Published : January 31, 2024

Citation: Yulianingsih, T., Listiana, E., Malini, H., Wend., Giriati. (2024). The Effect of Risk Profile, Profitability, and Capital on Profit Growth of Indonesian Digital Banks. *Ijomata International Journal of Management*, 5(1), 1-22.

<https://doi.org/10.52728/ijjm.v5i1.981>

ABSTRACT: Digital Bank is a bank innovation that is very popular today because it provides convenience in transactions. The large number of digital bank enthusiasts makes researcher interested in researching the health of digital banks. The purpose of this research is to assist in protecting customers, improving improvements in bank governance and identifying potential risks so as to increase the resilience of digital banks. This study will investigate how much influence the bank's health level has on the profit growth of digital banks, as measured by the risk profile using NPL and LDR indicators, GCG with institutional ownership, Profitability with ROA indicators, and Capital with CAR indicators. This study utilized panel data regression analysis techniques. The Population in this study are all digital banks registered on IDX, and sampling was performed using purposive sampling techniques, so there are nine banks as a sample from 20 banks. Secondary data research using documentation study methods and literature studies for data collection. This study relies on financial statements obtained from the official web pages of every digital bank and www.idx.co.id as its data source. The research results obtained are ROA was discovered to have a statistically significant positive impact on profit growth, while NPL, LDR, CAR, and GCG had no impact. LDR and ROA were discovered to have a statistically significant positive impact on GCG, whereas NPL and CAR had no impact. According to indirect testing, GCG could not mediate the relationship between NPL, LDR, ROA, and CAR on profit growth.

Keywords: Risk Profile, Good Corporate Governance, Profitability, Capital, Profit Growth



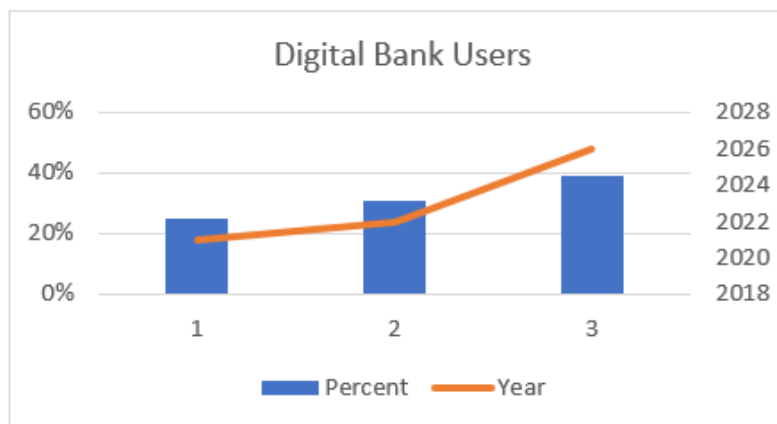
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INTRODUCTION

Digital technology is used to facilitate the fulfilment of human requirements in a variety of life domains, including banking, as the rate of technological advancement quickens in the current era. Digital banks, which are a transformation from traditional banks, are becoming very popular because they provide alternative convenience for people to open accounts, transact, save, or do

other activities related to banking, which are carried out digitally without having to come directly to the branch office. Digital banks are a technological advancement that conducts transactions or banking activities only through electronic channels.

Figure 1. Digital Bank Users



Source: Databoks

People feel aided by the existence of digital banks because they are viewed as an alternative for facilitating the transaction process and are, therefore, in high demand. This is evident from the continued increase in digital bank users, which is estimated to reach 25% in 2021, or equivalent to 47 million people, and increase to 31% or 60 million people in 2022. It is expected to continue to increase in 2026, reaching 39% or equivalent to 75 million users. Based on data from Bank Indonesia, the value of digital banking transactions that occurred throughout April 2023 reached Rp. 4,264.8 trillion or almost Rp. 4.3 quadrillion.

In their business activities, digital banks also focus on profits earned, as well as other businesses that expect increased profit growth in their operations. Good profit growth is supported through a healthy bank, and the bank's soundness is an essential factor in the bank's survival. Several factors can be utilized to evaluate the health of a bank: profile of risk, profitability, capital, and good corporate governance. Non-performing loans (NPL) are used to measure credit risk, while Loan-to-Deposit Ratios (LDR) are used to measure liquidity risk. Good Corporate Governance (GCG) is measured by self-assessment, specifically the bank's self-evaluation of its health level. Return On Assets (ROA) measures profitability (earnings), while the Capital Adequacy Ratio (CAR) measures capital.

NPL and LDR are instruments used to measure credit risk and liquidity risk profiles. The NPL ratio measures the number of nonperforming loans in a bank. NPL also refers to the possibility that the borrower will default, causing the bank to incur losses as a result of the borrower's inability to fulfil its obligations by the due date (Al-Sharkas & Al-Sharkas, 2022). In contrast, the LDR ratio quantifies the bank's capacity to fulfil its short-term fund obligations and the proportion of customer deposits utilized for funding loans. CAR is a ratio utilized to determine a bank's capital adequacy, whereas ROA measures the bank's ability to generate profits. Corporate governance, known as Good Corporate Governance (GCG), is a form of corporate responsibility in carrying

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out its activities by implementing a corporate governance, control, and supervision system to increase corporate profits (Christiana & Ardila, 2020). For this reason, banks should implement GCG to reduce risk, increase profitability, and maximize capital in the hope of increasing company profits.

Many previous studies have discussed bank health and have come to different conclusions. Some studies relevant to this study are studies conducted by (Samosir et al., 2022), which resulted in the conclusion that CAR, NPL, and LDR have statistically significant positive effects on profit growth, whereas ROA does not have a statistically significant influence on the growth of profit. This contradicts the findings of research conducted by (Pinontoan & Saerang, 2019), which resulted in the conclusion that ROA, GCG, *Risk Profile*, as well as CAR have no significant impact on profit growth. Another research conducted by (Widarti & Wulandari, 2022) concluded that NPL affects profit growth negatively and insignificantly. In contrast, the effects of LDR, ROA, and CAR on profit growth are positive and insignificant. Other findings (Susfayetti & Safelia, 2020) concluded that NPL, GCG, and CAR variables influence profit growth, whereas LDR and ROA variables do not. Another conclusion produced by (Baihaqi & Yulianti, 2021) found that NPL and ROA affect profit growth, while variables that do not affect profit growth are LDR, GCG, and CAR.

Therefore, researchers want to reaffirm the results of previous research and analyze more deeply the health of digital banks and their effect on profit growth. This study utilizes NPL, LDR, GCG, ROA, CAR, and profit growth (Y) as independent variables. This study seeks to quantify the impact of NPL, LDR, GCG, ROA, and CAR on profit growth in digital banks in Indonesia for the period 2020-2022, with GCG serving as an intervening variable. This period was chosen because it is a period when Indonesia has recovered from the COVID-19 pandemic, and many digital banks have begun to stand during the pandemic as a result of COVID-19, which requires people to carry out all activities at home because of large-scale social restrictions. Therefore, To satisfy the community's needs, banks in Indonesia have embraced this digital banking innovation.

Banks with a function as a place to collect funds must always provide customers with a sense of security by ensuring that their banks are in good health as a place to store funds for customers (Arifin & Canggih, 2022). The level of bank health is determined by a risk and performance analysis of the institution's condition. Measuring the level of bank health can be one reliable way to estimate the profit to be obtained by the bank. If the bank is healthy and stable, it will be a positive thing for the economy and the bank's survival in generating profits (Baihaqi & Yulianti, 2021). The bank's soundness is assessed via a risk-based bank rating, which evaluates its Profile of risk, Capital, Good Corporate Governance, and Profitability

Indicators such as Non-Performing Loans (NPL) and Loan to Deposit Ratio (LDR) can be utilized for evaluating a risk profile. NPL is used to see how much credit disbursed is problematic to the bank, and the NPL value should be at most 5%. NPL is a ratio that compares the total loans from banks classified as sub-current, doubtful, or non-current with total loans. Banks must always check or monitor the credit they distribute. If the credit they distribute has problems, it will harm the bank because it can reduce its function to distribute credit to other creditors (Baihaqi & Yulianti, 2021). In maintaining its activities, NPL is used as a control tool for knowing the bank risk level. Regarding profit growth, NPL negatively influences profit growth (Putri & Yulianthari, 2020).

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Loan to Deposit Ratio (LDR) measures bank risk related to liability risk in the fulfillment of short-term funds and is a tool to evaluate a bank's liquid assets. LDR determines the funds channeled from third parties and used in credit financing ([Setiawan et al., 2019](#)), ([Puspa, 2019](#)). A safe LDR value is at 80%, at most 110%, and not less than 79%. The more credit funds disbursed, the more liquidity a bank will have, provided that the credit disbursed does not experience problems ([Fitriyah et al., 2023](#)). Concerning profit growth, LDR has a positive influence ([Widarti & Wulandari, 2022](#)), ([Fitriyah et al., 2023](#)).

Good Corporate Governance (GCG) analysis is necessary to maintain stakeholder confidence because Good Corporate governance is an arrangement that controls company relations with stakeholders. The better a company's GCG value will attract stakeholders, and GCG value must continue to be maintained for the benefit of stakeholders ([Kadun et al., 2022](#)). The bank conducts a self-assessment of the composite rating that describes whether the bank is healthy or unhealthy. The GCG factor rating is determined by conducting a comprehensive and structured analysis of the assessment results of implementing the bank's GCG principles, namely accountability, openness, independence, responsibility, and fairness, and other information related to the bank's GCG principles. Exemplary GCG implementation will build public trust and indicate that the bank has complied with applicable legal regulations ([Malini & Yulistri, 2022](#)). In addition, implementing GCG can create honest, open, professional, and sustainable management patterns (Rosya et al., 2020). GCG assessment is conducted to evaluate the managerial capacity of a bank in carrying out its responsibilities ([Bangun et al., 2023](#)). In this study, GCG is proxied by institutional ownership indicators, which compare the number of shares owned by a government or private company to the number of outstanding shares to ascertain the number of shares owned by institutional investors. Regarding its relationship with corporate value, GCG significantly affects the company's value ([Willim et al., 2020](#)). Concerning profit growth, GCG influences profit growth positively ([Susfayetti & Safelia, 2020](#)).

In carrying out their activities, banks certainly always adhere to the principles of efficiency and effectiveness to increase bank profitability, and one of the ratios to determine the level of profitability is the profitability ratio ([Pinontoan & Saerang, 2019](#)). One indicator used to calculate profitability is ROA. ROA can measure how well banks carry out their activities, as seen from effective and efficient bank performance, to predict future profit growth ([Sundari & Satria, 2021](#)). The ROA ratio shows how effectively the company utilizes its assets to achieve maximum profit ([Khamisah et al., 2020](#)). The high level of ROA calculated shows that banks are trying to increase their revenue so that bank profits also grow. The greater the value of ROA, the more profitably the bank generates from its business activities ([Handayani et al., 2021](#)).

Bank activities that distribute credit to the public must pay attention to internal conditions and decisions taken to provide maximum benefits, including capital adequacy, that must be met by the bank ([Malini & Widayatmoko, 2021](#)). CAR (Capital Adequacy Ratio) is one of the indicators utilized to measure capital. The CAR is used to finance company assets that contain risks that have the potential to cause banks to experience losses. The value of CAR is anticipated to be high because, as CAR's value increases, so does the health of the bank. This is because the capital belonging to the bank is large enough to accommodate potential losses that may materialize ([Nurhidayah & Purwitosari, 2020](#)). With the high value of CAR, banks can earn good profits. In the business world,

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profit is significant to measure the achievement of business goals. The achievement of business objectives can be seen from profit growth, which is the difference between the profit for the present year and the profit obtained last year to determine whether the Company's profit has increased or decreased ([Susyana & Nugraha, 2021](#)). Banks that can continue to increase their profits show that they are performing well and have the potential to continue to improve their performance in the future. Increasing profit growth in a bank can make banks considered to have a good level of health and good managerial skills ([Arifin & Canggih, 2022](#)).

Research Hypothesis

Influence of NPL on Profit Growth

One of the facilities provided by the bank is the distribution of credit to the general public; therefore, the condition of the credit must always be supervised by the bank to reduce the risk of defaulting debt, such as insufficient or substandard loans, which reduces the bank's performance in disbursing credit to other debtors and result in losses for the bank. ([Baihaqi & Yulianti, 2021](#)). Research conducted by ([Putri & Yuliandhari, 2020](#)), ([Baihaqi & Yulianti, 2021](#)), and ([Widarti & Wulandari, 2022](#)) concludes that NPL negatively affects profit growth.

H1: NPL negatively affects Profit Growth

Influence of LDR on Profit Growth

LDR is used to assess or measure how much funds from third parties are released in the form of a loan. The greater the funds distributed in the form of a loan compared to deposit deposits, the greater the risk borne by the bank ([Puspa, 2019](#)). ([Fitriyah et al., 2023](#)) explained that LDR can be used to measure the extent to which banks can utilize funds from depositors to distribute them in the form of loans to all their customers. Bank Indonesia sets the standard for LDR ratio at 80% to 110%. Research conducted by ([Samosir et al., 2022](#)), ([Nurhidayah & Purwitosari, 2020](#)), and ([Widarti & Wulandari, 2022](#)) concludes that LDR positively affects Profit Growth.

H2: LDR positively affects profit growth

Influence of GCG on Profit Growth

A good governance system is needed to ensure that banks can operate properly and provide protection and a sense of security for investors ([Arniati et al., 2019](#)). ([Baihaqi & Yulianti, 2021](#)) explained that GCG can assist banks in creating structures to determine objectives, carry out daily operational activities, consider the interests of stakeholders in carrying out good operations and health, comply with applicable laws or rules, and protect the interests of creditors. Research conducted by ([Susfayetti & Safelia, 2020](#)), ([Wahyuni et al., 2018](#)), and ([Efendy & Suryanto, 2022](#)) concludes that GCG positively affects Profit Growth.

H3: GCG positively effects Profit Growth

Influence of ROA on Profit Growth

ROA measures the effectiveness with which a bank generates profits. A considerable ROA value indicates that the bank can generate high profits from the utilization of its assets, and with these

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profits, it can return assets that have been used in bank operational activities so that bank finances can be assessed well (Arifin & Canggih, 2022). Research conducted by (Nurhidayah & Purwitosari, 2020), (Baihaqi & Yulianti, 2021) and (Fitriyah et al., 2023) agree that ROA positively and significantly impacts Profit Growth.

H4: ROA positively impacts Profit Growth

Influence of CAR on Profit Growth

Banks are required to meet capital adequacy. The higher the value of the CAR ratio, the more profit generated will increase so that bank profits will be higher. Large capital can contribute to minimizing loss-causing risks, thereby stabilizing bank finances (Andersen & Juelsrud, 2023). Therefore, management must strive to increase the value of CAR so that the profit it earns also increases (Nugroho, 2018). Research conducted (Samosir et al., 2022), (Widarti & Wulandari, 2022), and (Setiawan et al., 2019) concluded that CAR positively affects profit Growth.

H5: CAR Positively Affects Profit Growth

Influence of NPL on GCG

Good risk management will be one of the most essential factors in conducting a self-assessment, as the implementation of GCG in banks will also be successful if the bank can effectively manage risks, thereby reducing the risk associated with credit distribution to the general public (Nurwulandari et al., 2022). According to the (Nurwulandari et al., 2022) composite value, GCG will increase with every decrease in the NPL value, and a study conducted (Nurwulandari et al., 2022), (Tarchouna et al., 2017) and (Adegboye et al., 2020) proved that NPL negatively and significantly effect on GCG.

H6: NPL negatively and significantly effect on GCG

Influence of LDR on GCG

A bank's liquidity can be determined by its LDR ratio. This also affects public confidence in the bank. The lower a bank's LDR level, the more the ability of bank liquidity it is. A high LDR indicates that the bank is able to channel the funds it has to get higher profits (Nurwulandari et al., 2022). Research conducted (Kiswanto & Purwanti, 2016), (Yamori et al., 2017) and (Hakim, 2017) proved that LDR positively and significantly affects GCG.

H7: LDR positively and significantly effect on GCG

Influence of ROA on GCG

Profitability reflects the application of good GCG because the application of good GCG in a bank will prevent decision-making errors that will have a negative effect on the bank's profitability. (Nurwulandari et al., 2022). A high ROA value can improve the performance of a bank because of the high rate of return obtained from assets that have been utilized (Kjosevski et al., 2019). Research by (Lestari & Priyadi, 2017), (Puspaningsih & Pratiwi, 2017) and (Sulistiyowati et al., 2015) concluded that ROA positively and significantly effect on GCG.

H8: ROA positively and significantly effect on GCG

Influence of CAR on GCG

Banks with a capital adequacy of at least 8% by Indonesian banking regulations measured by the CAR ratio will be able to overcome the possibility of loss risk to protect customers and other interested parties. CAR is one of the important indicators and has a positive influence on risk-taking (Nurwulandari et al., 2022). A high CAR value indicates the high capital adequacy ratio held by banks to support risky assets (Arsew et al., 2020). Research by (Arsew et al., 2020) and (Abou-El-Sood, 2017) states that CAR significantly and positively effect on GCG.

H9: CAR significantly and positively influences on GCG.

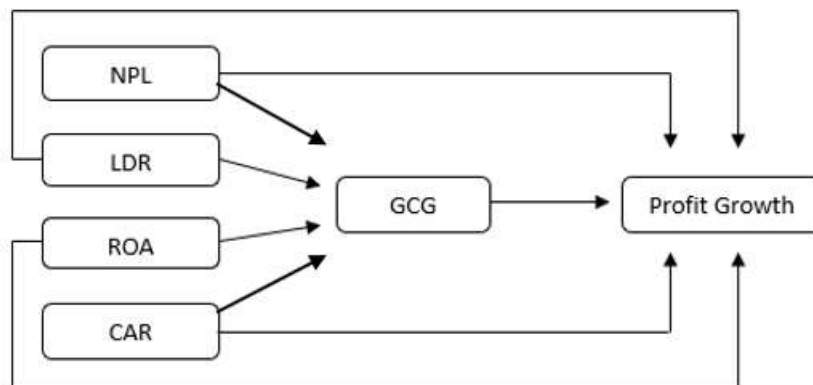


Figure 2. Research Framework

METHOD

Forms of Research

This is causal associative research, which examines the causal relationship among two or more variables. This research can examine whether there is an influence of NPL, LDR, GCG, ROA, and CAR on Profit Growth in Indonesian digital banks.

Data Types and Sources

This research utilizes secondary data obtained from other parties or preexisting documents so that the data sources do not directly supply the data to the data collector. This research was conducted on all Indonesian digital banks or conventional banks transforming into digital ones. The secondary data compiled consists of quarterly financial statements of Indonesian digital banks listed on the IDX from the official websites of each digital bank and www.idx.co.id for the period 2020-2022.

Populasi and Samples

This study's population consists of all digital banks in Indonesia, so the total number of digital banks to be analyzed is as many as 20. The sample for this study was selected using a non-probability sampling technique with purposive sampling, a method for selecting data sources based on specific criteria. This research employs the following criteria:

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1. Digital banks in Indonesia are listed on IDX
2. Indonesia's digital bank that publishes comprehensive quarterly financial report information for the period 2020-2022.

Thus, the population that qualified as a sample included 9 banks. So that the data used in the study was 108 data because the sample used was 9 banks with financial statement data used was quarterly report data (1 year = 4 quarters) and a research time period of 3 years.

Data Collection Techniques

This study collects data using the methods of documentary study and literature study. Documentary studies are conducted by analyzing financial statement documents obtained from the official websites of digital banks and IDX. Literature studies concerning variables obtained from literature sources in the form of online scientific journal articles are how the literature review is conducted.

Data Analysis Techniques

This study employs Panel Data Regression Analysis to gain a comprehensive understanding of the relationship between two variables. The research was conducted using Eviews 12.

RESULT AND DISCUSSION

Research Result

Descriptive Statistics

Table 1. Descriptive Statistics

	Max	Min	Median	Mean	Std. Dev.
NPL	4.040000	-2.050000	0.570000	1.170648	1.385310
LDR	220.3100	0.000000	77.65000	76.43657	47.24163
ROA	17.23000	-14.75000	0.150000	-0.785889	4.497731
CAR	3894.190	10.18000	34.92000	120.9557	386.3533
GCG	100.0000	0.000000	73.43500	65.64407	25.86598
Profit Growth	6633.810	-7086.700	10.03500	-0.869630	1011.880

This research utilized a total of 108 data. From the analysis of 108 data points, it can be determined that the NPL variable has a maximum value of 4.04%, a minimum value of -2.05%, a median value of 0.57%, a mean of 1.17%, and a standard deviation of 1.38%. This indicates that the data in NPL contains outliers or differences in data from quarter one that are too great compared to other quarters, as the average value is less than the standard deviation value. The LDR variable has a maximum value of 220%, a minimum value of 0%, a median value of 77.65%, and an average value of 76.43%. The LDR variable data is classified as excellent because its mean value exceeds the standard deviation, which is 47.24 percent. This indicates that the data's variability is reasonable. The maximum value of the ROA variable is 17.23%, and the minimum value is -14.75%, with a median value of 0.15%, an average value of -0.79%, and a standard deviation of 4.50%. This

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demonstrates that the ROA variable has inconsistent data because the inter-data variability is too great. The CAR variable has a maximum value of 3894%, a minimum value of 10.18%, a median value of 34.92%, a mean value of 120%, and a standard deviation value of 386%. Since the mean value of the CAR variable is less than the standard deviation value, this indicates that the CAR variable has uneven data. GCG variables have a maximum value of 100% and a minimum value of 0%, the median value owned is 73.43% with an average of 65.64%, and the standard deviation value owned is 25.87%. This indicates that GCG variable data is normally distributed or the distance between data is not too far. Therefore, this data is regarded as good data. The results for the profit growth variable indicate that the maximum value owned is 6633%, the minimum value is -7086%, the median value is 10.03%, with an average of -0.87%, and the standard deviation value is 1011%. This indicates that the profit growth variable contains extreme data, as the standard deviation value is significantly higher than the average. The profit growth data used has variability that is too far from one quarter to another.

Determination of Panel Data Regression Model

The panel data contains three models: the Fixed Effect Model, the Random Effect Model, and the Common Effect Model. Several series of tests, including the Chow test, the Housman test, and the Lagrange Multiplier (LM) test, were conducted to determine which model is most appropriate.

Table 2. Determination of NPL, LDR, ROA, and CAR models against GCG

Regression Model Test	Cross Section
Chow Test	205.771 (0.0000)
Housman Test	2.426 (0.6579)
Lagrange Multiplier Test	352.8722 (0.0000)

According to the Chow test, the value of probability 0.0000 is less than 0.05, so a fixed effect model is selected. To identify the optimal common effect or random effect model after selecting the fixed effect model, the Housman test must be reapplied and obtain a probability value of 0.6579, that is greater than 0.05. Since the probability value is greater than 0.05, the random effect model is selected. Other tests, such as the Lagrange Multiplier test, must be administered following the selection of the random effect modal. The results indicate that the value of the probability of 0,0000 is less than 0.05, so the random effect model is chosen as the optimal model.

Table 3. Determination of NPL, LDR, ROA, CAR, and GCG Models for Profit Growth

Regression Model Test	Cross Section
Chow Test	8.772630 (0.3618)
Lagrange Multiplier Test	0.287134 (0.5921)

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According to the Chow test of the result, the probability of 0.3618 is greater than 0.05, so the common effect model is selected. In addition, following the selection of the common effect model, the Lagrange Multiplier test must be conducted to decide which of the random effect model and the common effect model is most suitable. Since the probability value is 0.5921, greater than 0.05, the optimal model is the common effect model.

Classical Assumption Test

Since the selected model for the effect of NPL, LDR, ROA, CAR, and GCG on profit growth is the Common effect model, the Classical Assumptions, namely the Multicollinearity test and the Heteroscedasticity test, must be evaluated.

1. Multicollinearity Test

Table 4. Multicollinearity Test

	X1	X2	X3	X4	Z
X1	1	0.0050545848 74606335	0.037767870280 01697	- 0.210279556804 0921	0.2337675058252 052
X2	0.0050545848 74606335	1	- 0.093253053377 64236	- 0.210786702087 5333	0.1803262828642 833
X3	0.0377678702 8001697	- 0.0932530533 7764236	1	0.001513860816 261519	0.1594533491112 546
X4	- 0.2102795568 040921	- 0.2107867020 875333	0.001513860816 261519	1	0.0227071879598 5166
Z	0.2337675058 252052	0.1803262828 642833	0.159453349111 2546	0.022707187959 85166	1

According to Table 3, all independent variable values are less than 0,80. There is a multicollinearity issue if the independent variable value is greater than 0.80. Whereas if it is less than 0.80, there is no multicollinearity issue (Ghozali, 2021). Therefore, it can be interpreted that the independent variables utilized in this research regression model are devoid of multicollinearity or that all independent variables can be relied upon. This indicates that none of the independent variables utilized in this study of digital bank objects are correlated. Multicollinearity will affect the number of independent variable values that do not significantly impact the dependent variable, but the value of the coefficient of determination will remain high.

2. Heteroscedasticity Test

Table 5. Heteroscedasticity Test

Variable	Coefficient	S. Error	t-Statistic	Prob.
C	109.6314	260.5530	0.420764	0.6748
X1	38.91646	64.73604	0.601156	0.5491
X2	-0.860671	1.890918	-0.455161	0.6500
X3	-34.54324	19.22918	-1.796397	0.0754
X4	-0.030149	0.231267	-0.130364	0.8965
Z	3.924926	3.506163	1.119436	0.2656

According to Table 4, the value of probability is greater than 0.05. If the value of probability is greater than 0,05, there is no problem with heteroscedasticity, but there is a problem with heteroscedasticity if it is less than 0,05 (Ghozali, 2021). Therefore, the variables used in this analysis are free of heteroscedasticity or pass the heteroscedasticity test.

Result of Regression Analyses of the influence of NPL, LDR, ROA, and CAR on GCG

Table 6. Data Regression Panel Random Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	59.27378	9.650196	6.142236	0.0000
X1	-0.131954	1.068023	-0.123549	0.9019
X2	0.106036	0.029908	3.545417	0.0006
X3	1.353958	0.243732	5.555117	0.0000
X4	-0.004267	0.002902	-1.470404	0.1445
R-squared		0.294763	F-statistic	10.76254
Adjusted R-squared		0.267375	Prob(F)	0.000000

According to the results of panel data regression that has been executed using a random effect model, the following equation is obtained:

$$\text{GCG} = 59.27378 - 0.131954\text{NPL} + 0.106036\text{LDR} + 1.353958\text{ROA} - 0.004267\text{CAR} + \varepsilon$$

Result of Regression Analyses of the influence of NPL, LDR, ROA, CAR, and GCG on Profit Growth

Table 7. Common Effect Model Panel Data Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	159.9367	289.5795	0.552307	0.5819
X1	35.30537	71.94787	0.490708	0.6247
X2	0.702372	2.101573	0.334212	0.7389
X3	78.28941	21.37137	3.663284	0.0004
X4	0.040514	0.257031	0.157624	0.8751
Z	-3.034501	3.896762	-0.778724	0.4379
R-squared		0.118078	F-statistic	2.731308
Adjusted R-squared		0.074847	Prob(F)	0.023360

According to the results of panel data regression that has been executed using a common effect model, the following equation is obtained:

$$\text{Profit Growth} = 159.9367 + 35.30537\text{NPL} + 0.702372\text{LDR} + 78.28941\text{ROA} + 0.040514\text{CAR} - 3.034501\text{GCG} + \varepsilon$$

Indirect Influence (through GCG as an intervening variable):

$$\text{NPL} \rightarrow \text{Profit Growth} = -0.131954 \times (-3.034501) = 0.400$$

$$\text{LDR} \rightarrow \text{Profit Growth} = 0.106036 \times (-3.034501) = -3.218$$

$$\text{ROA} \rightarrow \text{Profit Growth} = 1.353958 \times (-3.034501) = -4.109$$

$$\text{CAR} \rightarrow \text{Profit Growth} = -0.004267 \times (-3.034501) = 0.0129$$

Test the hypothesis

Partial effect test (T-test)

The Influence of NPL, LDR, ROA, and CAR on GCG

Table 8. T Test for the impact of NPL, LDR, ROA, and CAR on GCG

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	59.27378	9.650196	6.142236	0.0000
X1	-0.131954	1.068023	-0.123549	0.9019
X2	0.106036	0.029908	3.545417	0.0006
X3	1.353958	0.243732	5.555117	0.0000
X4	-0.004267	0.002902	-1.470404	0.1445

NPLs are an essential ratio to know how much credit channeled is in trouble, so by calculating this ratio, banks can make a decision not to suffer greater losses. In the meantime, this study

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demonstrates that the probability value of NPL is $0.9019 > 0.05$, which means that the NPL insignificantly influences GCG in digital banks, and the value of the coefficient NPL is -0.131 , indicating that NPL negatively affects the GCG. Further, using the LDR, it is possible to calculate the proportion of consumer savings that are converted to credit. The LDR ratio is essential to maintain and monitor the credit channeled. The probability value for the ratio of LDR in this study is $0.00006 < 0.05$, which implies the LDR significantly impacts GCG, with a value of a coefficient of 0.106 , indicating that LDR positively influences the GCG. ROA variables are used to measure profits or returns on assets that have been used in the bank's operational activities. By calculating this ratio, banks can know the profits obtained from using assets so that they can use the assets efficiently. ROA has a probability value of $0.0000 < 0.05$ and a coefficient value of 1.353 . This is meaningful that it has a positive and statistically significant effect on GCG. CAR measures how much capital a bank has to operate its business, a value of probability of $0.1445 > 0.05$ and a value of the coefficient of -0.004 . This is meaningful that it has a negative but non-significant effect on Digital Bank's GCG.

The Influence of NPL, LDR, ROA, CAR, and GCG on Profit Growth

Table 9. T Test for the impact of NPL, LDR, ROA, CAR, and GCG on Profit Growth

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	159.9367	289.5795	0.552307	0.5819
X1	35.30537	7.,94787	0.490708	0.6247
X2	0.702372	2.101573	0.334212	0.7389
X3	78.28941	21.37137	3.663284	0.0004
X4	0.040514	0.257031	0.157624	0.8751
Z	-3.034501	3.896762	-0.778724	0.4379

The NPL is the ratio used to determine the quantity of credit that has not been repaid within a bank-specified time frame; the credit is stuck or bad credit. This ratio is calculated to prevent losses that could jeopardize the bank's continued existence. The prob value of the NPL is 0.6247 , which implies that the NPL variable has insignificant impacts on profit growth. The NPL coefficient value is 35.305 , indicating that the variable NPL positively impacts a digital bank's profit growth. Next, for the variable, LDR is a measurement of the size of credit channeled from third-party funds. Therefore, measurement of this ratio is crucial to monitoring the funds channeled so that it can boost the profit growth of credit interest. Meanwhile, the findings of this study indicate that the probability value of LDR is $0.7389 > 0.05$, indicating that LDR insignificantly influences profit growth, with a coefficient value of 0.702 indicating that LDR positively influences profit growth. ROA ratio can be used to assess the return size obtained from using assets. This ratio is crucial for the bank to continue increasing profits by utilizing available resources. In this study, ROA has a prob value of $0.0004 < 0.05$, and its value of coefficient is 78.289 , indicating that the ROA variable positively and significantly impacts profit growth. Next is the CAR variable. CAR is the ratio used to ascertain the size of the bank's capital holdings. The amount of a bank's capital decides the bank's liquidity in fulfilling obligations and can increase profit growth if the bank has good

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performance in managing the capital. In this research, with a value of probability of 0.8751 greater than 0.05 and a coefficient value of 0.04, CAR has a positive but nonsignificant impact on profit growth. Next, the GCG variable is a set of rules, policies, and relationships that exist between stakeholders and bank management to oversee the bank's performance so that it can generate a profit. In this study, GCG was measured using institutional ownership, yielding a value of probability of $0.4379 > 0.05$, indicating that the GCG insignificantly impacts profit growth and a coefficient value of -3.034. It is meaningful that the GCG variable negatively affects Digital Bank's profit growth.

Test F (Simultaneous influence)

The Impact of NPL, LDR, ROA, and CAR on GCG

Table 10. F Test for the Impact of NPL, LDR, ROA, and CAR on GCG

F-statistic	1.076254
Prob(F-statistic)	0.000000

According to the findings of the F test. The value of the probability of F is $0.000000 < 0.05$, indicating that the variables NPL, LDR, ROA, and CAR influence Good Corporate Governance for digital banks simultaneously.

The Impact of NPL, LDR, ROA, CAR, and GCG on Profit Growth

Table 11. F Test for the Impact of NPL, LDR, ROA, CAR, and GCG on Profit Growth

F-statistic	2.731308
Prob(F-statistic)	0.023360

According to the findings of the F test, it is meaningful that the variables NPL, LDR, ROA, CAR, and GCG collectively affect the profit growth of digital banks, with a probability of $0,023360 < 0,05$.

R2 (Coefficient of Determination of the influence of NPL, LDR, ROA, and CAR on GCG)

Table 12. Results of the Coefficient of Determination Test

R-squared	0.294763
Adjusted R-squared	0.267375

According to Table 7, the Adjusted R-Square value of 0,267375 is meaningful. The variables X1, X2, X3, and X4 explain 26% of variable Z, while other variables account for the remaining 74%. This indicates that NPL, LDR, ROA, and CAR variables can explain 26% of GCG variables, while the remaining 74% by other variables.

R2 (Coefficient of Determination of the Influence of NPL, LDR, ROA, CAR, and GCG on Profit Growth)

Table 13. Results of the Coefficient of Determination Test

R-squared	0.118078
Adjusted R-squared	0.074847

Adjusted R-Square has a value of 0.075 based on the results of the determination coefficient test. Consequently, the variables X1, X2, X3, X4, and Z can account for 7.5% of the variance in the variable Y, while other variables explain the remaining 92.5%. This indicates that the NPL, LDR, ROA, CAR, and GCG variables can explain 7.5% of the profit growth variable, while other variables explain the remaining 92.5%.

Sobel Test

The Sobel test was conducted to determine if GCG variables can mediate the influence of independent variables, specifically NPL, LDR, ROA, and CAR, on profit growth. Sobel's test carried out revealed that the calculated T value for the impact of NPL on profit growth through GCG is 0.12, while the value of Table T is 1.98. Therefore, the value of calculated T (0.12) is less than the value of table T (1.98), indicating that the NPL variable does not affect the growth of digital bank profits via GCG as an intervening variable. Moreover, the impact of the LDR variable on profit growth via GCG as an intervening variable has a calculated t value (-0.76) t table (1.98), indicating that GCG is incapable of mediating the impact of LDR on profit growth. The calculated t value for the effect of the ROA variable on profit growth through GCG as an intervening variable is 0.77 t table (1.98), indicating that the GCG variable is unable to mediate the impact of ROA on profit growth. Similarly, the calculated t value for the effect of the CAR variable on profit growth through GCG as an intervening variable is 0.67 t table (1.98), indicating that the GCG variable is also unable to mediate.

The test results in this study concluded that Non-Performing loans (NPL) did not affect profit growth significantly, as the NPL significance value derived was 0.6247. This indicates that the significance level exceeds 0.05. The coefficient of regression has a value of 35.305, indicating that it positively affects, however, insignificant impact on profit growth. This is because loans that have not been received or non-performing loans can be covered by an increase in loan interest on providing new loans to the public or by funds set aside to cover potential losses resulting from NPLs so as not to significantly impact the growth of digital bank profits. Therefore, the first hypothesis that NPLs negatively and significantly influence the profit growth of Indonesian digital banks is rejected (H1 is rejected). This study's findings are consistent with those of (Rahmadani et al., 2021), who found that NPL positively but insignificantly influences profit growth but not those (Susfayetti & Safelia, 2020) who found that NPL negatively and significantly influences profit growth. According to the findings of this study's tests, it can be interpreted that the Loan To Deposit Ratio (LDR) has a significance level of 0.7389 > 0.05, indicating that LDR has no significant impact on profit growth. The obtained regression value of 0.702 indicates that LDR positively affects profit growth. The elevated LDR value will increase the risk of the bank. The

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Bank assumes that the quantity of credit disbursed will be able to generate high profits, but the provision of credit is unable to generate the anticipated profit so as not to impact profit growth significantly. Therefore, the second hypothesis that LDR positively affects the profit growth of Indonesian digital banks is refuted (H2 is refuted).

This research is consistent with ([Widarti & Wulandari, 2022](#)), who assert that LDR positively but insignificantly impacts profit growth, and contradicts research conducted by ([Geradi & Astawa, 2022](#)), which asserts that LDR has a significant and positive influence on profit growth. Moreover, based on the results of the tests, it can be interpreted that GCG negatively and significantly affects the growth of the digital bank's profit. This is demonstrated by the GCG significance value being greater than 0.05, which is 0.4379, and the regression coefficient being -3,034, indicating that a change in GCG does not substantially impact profit growth. This can happen because GCG is a non-financial or qualitative assessment, so GCG variables measured using institutional ownership are considered unable to be used as a benchmark for investors and customers in assessing banks. Even though the bank implements GCG well, it still cannot provide a positive signal or response from investors or creditors to this. Therefore, the third hypothesis that GCG positively influences the growth of Indonesia's digital banks is rejected (H3 is rejected). Following the findings of ([Widarti & Wulandari, 2022](#)) and ([Putri & Yuliandhari, 2020](#)), they assert that GCG negatively and insignificantly affects profit growth.

ROA significantly and positively influences the profit growth of Indonesian digital banks. This is evident from the significance level of ROA, which is $0.0004 < 0.05$, and the regression coefficient value, which is 78.289, indicating that changes in ROA can trigger movements in profit growth. The value of profit growth increases if the ROA value is higher. This means that the bank is able to generate returns from the assets it has used so that profit growth increases. The higher the ROA, the greater the profitability performance of the bank. Consequently, the fourth hypothesis that ROA has a statistically significant and positive impact on the profit growth of Indonesian digital banks is accepted (H4 accepted). This research is consistent with ([Setiawan et al., 2019](#)) but not with ([Samosir et al., 2022](#)) and ([Syafaat, 2021](#)), who argue that ROA has no impact on profit growth. CAR has a significant level of $0.8751 > 0.05$, which indicates that CAR has an insignificant influence on profit growth, and the value of the regression coefficient is 0.041, indicating a positive relationship. To maintain the bank's stability, banks must satisfy the minimum capital requirement of 8%. However, high capital does not influence the profitability of digital banks. This results from the bank's inability to effectively manage risk so that capital is allocated to sustain the bank's risk. Consequently, CAR has no significant effect on profit growth. Therefore, the fifth hypothesis asserting that CAR positively impacts the profit development of Indonesian digital banks is rejected (H5 is rejected). This is consistent with research ([Guicheldy & Sukartaatmadja, 2021](#)) and ([Widarti & Wulandari, 2022](#)) and inconsistent with research ([Samosir et al., 2022](#)).

Furthermore, the regression coefficient value for the impact of Non-Performing Loans (NPL) on Good Corporate Governance (GCG) was -0.132, and the probability was $0.9019 > 0.05$, indicating that NPL has an insignificant and negative effect on GCG. This demonstrates that NPL values do not influence governance management. This is because the decline in NPL value cannot improve bank governance. Thus, the sixth hypothesis that NPLs significantly and negatively impact the profit growth of Indonesian digital banks is rejected (H6 is rejected). Meanwhile, regarding the

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influence of the Loan To Deposit Ratio (LDR) on GCG, a regression coefficient value of 0.106 and a probability value were determined. $0.0006 < 0.05$, which asserts that LDR significantly and positively affects GCG. This demonstrates that the high value of LDR will enhance the governance of banks. Thus, it is recognized that NPL positively and significantly affects GCG (H7 is accepted). The test results regarding the eighth hypothesis, which states that ROA positively and significantly affects can be proven by the value of regression coefficient of 1.354 and the value of the probability of $0.0000 < 0.05$, indicating that ROA positively and significantly influences GCG. This shows that the increased worth of ROA can trigger a positive influence on banks in governance. Therefore, the eighth hypothesis is accepted (H8 is accepted). Furthermore, for the impact of CAR on GCG, it was found that the value of prob. $0.1445 > 0.05$, and the value of the regression coefficient is -0.004 , meaning that CAR negatively and insignificantly affects GCG. So, the ninth hypothesis that states CAR has a significant and positive influence on GCG is rejected (H9 is rejected). This indicates that the high value of CAR has not been able to make investors interested, so bank governance will also decline insignificantly.

In addition, the results of investigating the indirect influence indicate that Good Corporate Governance (GCG) is unable to mediate the relationship between non-performing loans and profit growth. The calculated t value $(0.12) < t$ table (1.98) shows that the role of GCG as mediation cannot strengthen the relationship between NPL and profit growth. Likewise, the results obtained from the influence of LDR on profit growth through GCG as an intervening variable, namely the calculated t value $(-0.76) < t$ table (1.98) , which means GCG is unable to mediate the influence of LDR on profit growth. Similarly, the indirect influence of the ROA variable on profit growth with GCG as mediation results that get the result that the value of t is calculated $(0.77) < t$ table (1.98) , which means that the GCG variable is also unable to mediate the influence of ROA on profit growth. Furthermore, regarding the results of the indirect influence of CAR on profit growth using GCG mediation, it was found that the calculated t value of $(0.67) < t$ table (1.98) , indicating that GCG is also unable to mediate the influence of CAR variables on digital bank profit growth. GCG variables are unable to mediate the influence of NPL, LDR, ROA, and CAR on profit growth because there are still many digital banks that have not maximized the implementation of good corporate governance, so the implementation of GCG is only a formality as a condition in legal fulfilment (Kurnia et al., 2020). Therefore, GCG cannot strengthen the relationship between the risk profile of banks, returns derived from asset utilization, and capital adequacy owned by banks in increasing digital bank profit growth.

CONCLUSION

The results indicated that Return on Asset (ROA) positively and significantly influences profit growth, as indicated by the value of regression coefficient of 78.289 and the value of significance of ROA of 0.0004, which is less than 0.05, indicating that there is a significant relationship. NPL (Non-Performing Loan), LDR (Loan to Deposit Ratio), CAR (Capital Adequacy Ratio), and GCG (Good Corporate Governance) do not affect profit growth, as shown by the significance values of NPL 0.6247, LDR 0.7389, CAR 0.8751, and GCG 0.4379, which are all greater than 0.05, indicating that there is no significant relationship. NPL (Non-Performing Loan), LDR (Loan to Deposit

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Ratio), ROA (Return on Asset), CAR (Capital Adequacy Ratio), and GCG (Good Corporate Governance) have a positive and statistically significant influence on profit growth, as shown by the F test with a level of significance is 0.0233360, which is less than 0.05.

Moreover, direct measurement of GCG indicates that LDR and ROA have a positive and statistically significant influence on GCG, as indicated by the significance values of 0.0006 and 0.0000, which are smaller than 0.05. NPL and CAR, on the other hand, do not affect GCG because their significance values exceed 0.05, namely 0.9019 and 0.1445. NPL, LDR, ROA, and CAR have a statistically significant and positive influence on profit growth, as demonstrated by the F test's significance value of 0.0000, which implies that the value is less than 0.05. The indirect effect is that GCG is unable to mediate the influence between NPL, LDR, ROA, and CAR on profit growth, as evidenced by the calculated t value being less than the table t value.

From the study findings, it can be determined that digital banks strive to increase the return ratio of assets to increase profit growth because the growth of digital bank profits depends on the amount of return obtained from using assets. Good governance is guaranteed by how well the digital bank administers the stored funds and how efficiently it generates profits by utilizing the digital bank's resources. Although other variables are less influential on profit growth, digital banks must still pay attention to these variables to keep digital banks healthy and stable in their operations. This research is expected to be a source of information for future research. It is recommended for future studies to increase the research period so that the data obtained are more complete and more accurate, use different research models, and add a broader scope of other variables to predict profit growth.

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