

ABSTRACT

This study aims to examine and analyze the effect of Green Credit, Capital Adequacy Ratio (CAR), Non-Interest Income (NII), and Loan Loss Provision Known as CKPN in Indonesia, on profitability proxied by Return on Assets (ROA) in Commercial Banks in Indonesia. The transition towards a green economy requires banks to disburse sustainable financing, but its impact on financial performance still shows fluctuating results amidst macroeconomic dynamics.

This research is a quantitative study using secondary data. The research population includes all Commercial Banks registered with the Financial Services Authority (OJK). The sample selection was conducted using a purposive sampling technique, resulting in a sample of 20 commercial banks with an observation period of 5 years (2020–2024), generating a total of 100 observations. Data analysis was performed using panel data regression via STATA 17 with a Fixed Effect Model (FEM) approach based on robust/clustered standard errors.

The results of the study show that simultaneously Green Credit, CAR, NII, and CKPN have a significant effect on ROA. Partially, CAR is proven to have a positive and significant effect on ROA, while NII and CKPN have a negative and significant effect on ROA. Meanwhile, Green Credit does not have a significant effect on ROA. The conclusion of this study indicates that banking profitability in Indonesia during the research period was mostly driven by the fundamental strength of capital and strongly suppressed by the burden of risk provisioning as well as suboptimal operational income diversification, while the implementation of green credit is not yet on a large enough scale to provide a tangible economic impact on bank profits in the short term.

Keywords: *Green Credit, Capital Adequacy Ratio, Non-Interest Income, Cadangan Kerugian Penurunan Nilai, Return on Assets, Profitability.*