ABSTRACT

This study aims to analyze the effect of capital adequacy, credit rsik, and market risk on the profitability of conventional banks in the ASEAN-5 during the 2018-2024 period. Profitability, measured by Return On Assets (ROA), shows fluctuations that are not always aligned with changes in other financial variabels, indicating inconsistencies in the relationships among variables. Therefore, this study formulates the problem of how Capital Adequacy Ratio (CAR), Loan Loss Provision (LLP), and Securities to Assets (SEC) affect ROA, as well as how bank size (SIZE) and CAR act as moderating variables in these relationships. Panel data regression is employed to analyze the relationships among variables.

The results indicate that CAR has no significant effect on profitability, while LLP and SEC exhibit varying effects on ROA. Bank size is unable to significantly moderate the relationship between risk variables and profitability. However, CAR strengthens the relationship between credit risk and profitability but does not moderate the relationship between market risk and profitability. Thus, it can be concluded that bank profitability is more influenced by effectiveness of asset management and intermediation activities rather than solely by capital adequacy. The findings highlight the importance of credit risk management and optimal utilization of productive assets for bank management, as well as providing insights for investpr to evaluate banking performance more comprehensively

Keywords: Capital Adequacy, Credit Risk, Market Risk, Profitability