ABSTRACT

This study aims to examine the effect of credit risk and liquidity risk on the profitability of Bank BRI branch offices in Indonesia from internal bank factors, including PPAP, LDR, and deposit ratios. In addition, other factors which in previous studies considered influencing profitability were also discussed in this study as control variables, including branch office's asset size and BOPO.

Data is taken from the balance sheet and income statement of Bank BRI branch offices during 2016-2017. The sampling technique in this study uses probability sampling with a total sample of 215 branch offices. Several panel data regression models are applied to assess the impact of credit risk and liquidity risk on branch office profitability.

The results of the multiple regression shows that the PPAP ratio does not affect the profitability of Bank BRI branch offices, the LDR ratio has a positive effect, and the deposit ratio has a negative effect. Due to limitations in data availability, the period examined in this study was 2016-2017 or for 2 years, however, the sample period did not reduce the findings as long as the number of large branch office samples. External factors that contribute to credit risk and bank liquidity risk are not discussed in this study.

Key words: *profitability, credit risk, liquidity risk, PPAP ratio, LDR, deposit ratio, branch office size, BOPO, panel data*

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