

# The Effect of Solvency Ratio, Liquidity Ratio, and Inflation on the Financial Performance of Banking Companies Listed on the Indonesia Stock Exchange for the Period 2022–2025

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## Abstract

This study aims to empirically examine the effect of the Solvency Ratio (CAR), Liquidity Ratio (LDR), and Inflation on Financial Performance (ROA) in banking companies listed on the Indonesia Stock Exchange during the 2022-2025 period. The phenomenon underlying this research is that high solvency and liquidity ratios in banking are not always followed by optimal improvements in financial performance, reinforced by inconsistent findings in previous studies. This research is a quantitative study with an associative approach using secondary data. The sample was selected using a purposive sampling technique, resulting in 29 banking companies with 116 initial observations. The data analysis technique used is multiple linear regression analysis with the assistance of SPSS version 26, including classical assumption tests, hypothesis testing (t-test and F-test), and the coefficient of determination test. The results show that the Solvency Ratio (CAR) has no significant effect, while the Liquidity Ratio (LDR) has a positive and significant effect on Financial Performance (ROA). Inflation has no significant effect, but simultaneously, the three variables significantly affect Financial Performance (ROA) with an explanatory power of 8.8%. These results are expected to serve as an evaluation for banking management, a consideration for investors, and a reference for future researchers.

## Keywords

Solvency Ratio, Liquidity Ratio, Inflation, Financial Performance, Banking



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## INTRODUCTION

Banking companies play a strategic role in the national economic system because they function as financial intermediaries that collect funds from the public and redistribute them through loans and other forms of financing. In addition to performing an intermediation function, banks also support the smooth operation of payment transactions and contribute to monetary control (Willy, 2024). A sound banking sector can strengthen public and investor confidence in the financial system. Therefore, the better the condition of the banking sector, the greater its potential contribution to national economic stability and growth (Herlina et al., 2024).

The dynamics of the Indonesian banking sector during the 2022–2025 period were

closely associated with changes in global and domestic economic conditions, particularly monetary policy and liquidity developments. During 2022–2023, the benchmark interest rate policy tended to become more restrictive in response to global inflationary pressures. This condition encouraged banks to strengthen their capital adequacy as a buffer against potential risks while adopting greater prudence in lending activities (Hanggraeni, 2023). At the same time, tighter liquidity conditions intensified competition among banks for Third-Party Funds (TPF). This competition became increasingly important because relatively aggressive credit growth was not always accompanied by proportional growth in third-party funds (Simamora, 2024).

This phenomenon can be observed in the development of the financial ratios of the research object during the 2022–2025 period. The Capital Adequacy Ratio (CAR) remained at a relatively high level, increasing from 25.62% in 2022 to 27.75% in 2023. This increase in CAR was accompanied by an increase in Return on Assets (ROA) from 2.45% to 2.78%. However, a similar pattern was not consistently observed in the subsequent period. The Loan to Deposit Ratio (LDR) increased consistently from 78.98% in 2022 to 89.05% in 2024, while ROA declined to 2.72% in the same year from 2.78% in the previous year. Meanwhile, inflation fluctuated from 5.51% in 2022 to 1.57% in 2024 before increasing again to 2.92% in 2025. These changes in inflation also did not demonstrate a consistent relationship with ROA. This phenomenon suggests that changes in solvency, liquidity, and inflation are not necessarily followed by changes in financial performance in the same direction. Therefore, further empirical investigation is required to determine the effects of these variables on the financial performance of banking companies.

Financial performance represents an indicator of the extent to which a company succeeds in achieving its financial objectives within a certain period (Simanjorang et al., 2024). For banking companies, financial performance is an important indicator for assessing their ability to conduct operations, maintain financial stability, and ensure business sustainability. Strong financial performance reflects the company's ability to manage its resources effectively, whereas weak performance may reduce stakeholder confidence and potentially threaten business continuity (Bungatang et al., 2025). Accordingly, financial performance needs to be evaluated by considering various internal and external factors that may influence it.

One internal factor that may affect financial performance is liquidity. Liquidity refers to a company's ability to meet its financial obligations that are due in the short term by utilizing available funds (Tamher et al., 2025). In the banking sector, effective liquidity management is particularly important because banks must be able to meet customers' withdrawal needs while simultaneously optimizing the allocation of funds to generate income. Optimal lending activities may increase interest income and subsequently contribute to improved financial performance. Latifah et al. (2023) found that liquidity has a positive and significant effect on the financial performance of banks listed on the Indonesia Stock Exchange. This finding indicates that effective liquidity management can support improved banking performance.

In addition to liquidity, solvency is another internal factor that should be considered when assessing financial performance. Solvency reflects a company's ability to meet its financial obligations, both in the short and long term, and indicates its capacity to manage the sources of financing used to fund its assets (Ayu et al., 2025). In the banking sector, solvency can be measured using the Capital Adequacy Ratio (CAR). CAR reflects the

adequacy of a bank's capital in absorbing risks arising from its operational and lending activities. Capital adequacy is important because capital serves as a buffer against potential losses and supports the stability of banking operations (Sitompul et al., 2026). The use of CAR as an indicator of solvency and LDR as an indicator of liquidity has also been adopted in previous studies examining banking financial performance (Aprilia et al., 2022).

Besides internal factors, banking financial performance is also influenced by macroeconomic conditions, one of which is inflation. Inflation refers to a sustained increase in the general price level of goods and services. Rising inflation can increase operating costs and reduce consumers' purchasing power, thereby affecting corporate economic activities (Handayani et al., 2022). For the banking sector, changes in inflation may influence people's decisions regarding consumption, saving, and the utilization of credit facilities. Consequently, fluctuations in inflation may affect bank income and financial performance. Aminin (2024) demonstrated that inflation is one of the external factors associated with the financial performance of banking companies.

Nevertheless, previous empirical studies have produced inconsistent findings regarding the effects of solvency, liquidity, and inflation on financial performance. Latifah et al. (2023) found that solvency has a positive and significant effect on financial performance, whereas Aprilia et al. (2022) reported a negative and significant effect in a different banking context. Regarding liquidity, Latifah et al. (2023) found a positive and significant effect on financial performance, while Bungatang et al. (2025) indicated that liquidity does not always have a significant effect. In addition, inconsistent findings have also been reported concerning inflation. Aminin (2024) found that inflation has a positive and significant effect on financial performance, whereas Yogatama et al. (2024) reported a negative and insignificant effect on the financial performance of banks. These differences indicate a research gap that warrants further investigation, particularly by examining solvency, liquidity, and inflation simultaneously within the context of banking companies over a more recent observation period, namely 2022–2025.

This study employs Signalling Theory as its theoretical foundation. Originally introduced by Spence (1973), Signalling Theory explains how parties possessing more complete information about a particular condition can convey signals to other parties with limited information. In the corporate context, information disclosed through financial statements can serve as a signal for external parties in assessing a company's financial condition and future prospects. Agus and E. H. S. (2024) explain that Signalling Theory is concerned with the disclosure of corporate information to external parties as an indication of the company's condition and development. Such disclosure is important because companies generally possess more comprehensive information regarding their internal conditions and future prospects than external stakeholders (Nur et al., 2024). Therefore, financial statements and financial indicators can serve as important sources of information for investors when evaluating a company's performance and prospects.

From the perspective of Signalling Theory, a high level of solvency can provide a positive signal to investors because it indicates a relatively strong capital structure and a greater capacity to withstand financial risks. In the banking sector, adequate capital reflects a bank's ability to absorb potential losses and maintain operational stability. Such conditions may strengthen external stakeholders' confidence in the company's financial performance. Previous findings by Latifah et al. (2023) and Simanjorang et al. (2024) support this argument by demonstrating a positive and significant relationship between solvency and financial

performance. Accordingly, this study expects solvency to have a positive and significant effect on the financial performance of banking companies listed on the Indonesia Stock Exchange during 2022–2025.

A bank's ability to maintain adequate liquidity may also provide a positive signal to investors. A sound level of liquidity indicates the company's ability to meet its obligations while managing its assets and funding sources effectively. For banks, optimal liquidity management enables them to meet customers' funding needs while simultaneously allocating funds productively through lending activities. Effective lending may increase interest income and subsequently improve financial performance. Previous studies by Latifah et al. (2023) and Maulana and Fachmi (2025) found that liquidity has a positive and significant effect on financial performance. Therefore, this study expects liquidity to have a positive and significant effect on the financial performance of banking companies listed on the Indonesia Stock Exchange during 2022–2025.

Inflation as a macroeconomic factor may also provide information regarding economic conditions that ultimately affect banking activities. Controlled inflation may reflect relatively stable economic conditions, potentially encouraging consumption, investment, and credit demand. Increased economic activity may create opportunities for banks to generate higher income and improve their financial performance. Handayani et al. (2022) and Aminin (2024) demonstrated that inflation is associated with banking financial performance. From the perspective of Signalling Theory, stable economic conditions may serve as a positive signal for investors when assessing a company's prospects. Accordingly, this study expects inflation to have a positive and significant effect on the financial performance of banking companies listed on the Indonesia Stock Exchange during 2022–2025.

Financial performance is not determined by a single factor but rather by the interaction of various internal and external conditions. Solvency and liquidity represent the company's internal capacity to manage capital and funding resources, while inflation reflects macroeconomic conditions that are largely beyond the direct control of individual companies. Together, these factors may provide signals to investors regarding the company's financial condition and future prospects. Wicaksono et al. (2022) found that liquidity, solvency, and firm size simultaneously have a significant effect on financial performance. Similarly, Fakhri et al. (2025) found that liquidity and inflation simultaneously affect the financial performance of conventional banks listed on the Indonesia Stock Exchange. Based on these arguments, this study expects solvency, liquidity, and inflation to simultaneously have a significant effect on the financial performance of banking companies listed on the Indonesia Stock Exchange during 2022–2025. Based on the theoretical arguments, empirical evidence, and research gap described above, this study aims to analyze the effects of solvency, liquidity, and inflation on the financial performance of banking companies listed on the Indonesia Stock Exchange during the 2022–2025 period, both individually and simultaneously, using Signalling Theory as the underlying theoretical framework.

## **METHODS**

This study employed a quantitative research method with an associative approach. Quantitative research is grounded in the positivist philosophy and is used to examine specific populations or samples through statistical data analysis to test predetermined hypotheses (Sugiyono, 2023). The data used in this study were secondary data obtained from the annual financial statements of banking companies published on the official website of the

Indonesia Stock Exchange (IDX) and the respective companies' official websites. In addition, annual inflation data were obtained from publications issued by Bank Indonesia (BI) and Statistics Indonesia (BPS).

The population consisted of all banking companies listed on the Indonesia Stock Exchange during the 2022–2025 period, totaling 47 companies. The sample was selected using purposive sampling based on predetermined criteria. The criteria included: (1) banking companies listed on the Indonesia Stock Exchange throughout the 2022–2025 period; (2) companies that published annual financial statements consecutively during the observation period; (3) companies that did not experience delisting during the study period; (4) companies that did not report losses during the observation period; and (5) companies with complete data for the CAR, LDR, and ROA variables. Based on these criteria, 29 banking companies were selected as the research sample, resulting in 116 observations over four years from 2022 to 2025.

The independent variables consisted of solvency, liquidity, and inflation. Solvency was measured using the Capital Adequacy Ratio (CAR), calculated as the ratio of capital to risk-weighted assets multiplied by 100%. Liquidity was measured using the Loan to Deposit Ratio (LDR), calculated as total loans divided by third-party funds multiplied by 100% (Kasmir, 2017). Inflation was measured using the annual year-on-year inflation rate published by Bank Indonesia and Statistics Indonesia. The dependent variable was financial performance, measured using Return on Assets (ROA), calculated as net income after tax divided by total assets multiplied by 100% (Brigham & Houston, 2019). The operationalization of the research variables is presented in Table 1.

Data analysis was conducted using multiple linear regression with the assistance of IBM SPSS Statistics version 26 (Ghozali, 2021). The analysis procedures consisted of several stages. First, descriptive statistical analysis was conducted to describe the characteristics of the research data through measures such as the minimum value, maximum value, mean, and standard deviation. Second, classical assumption tests were performed, including the normality test using the One-Sample Kolmogorov–Smirnov test with the Monte Carlo significance approach, the multicollinearity test using tolerance and Variance Inflation Factor (VIF) values, the heteroscedasticity test using the Glejser test, and the autocorrelation test using the Durbin–Watson statistic. When autocorrelation was identified, the Cochrane–Orcutt procedure was applied as a corrective measure. Third, hypothesis testing was conducted through the partial significance test (t-test), simultaneous significance test (F-test), and coefficient of determination using Adjusted R Square. These procedures were applied to assess both the individual and simultaneous effects of solvency, liquidity, and inflation on banking financial performance.

The multiple linear regression model used in this study is formulated as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e \quad (1)$$

where Y represents financial performance measured by ROA;  $\alpha$  represents the constant;  $\beta_1$ ,  $\beta_2$ , and  $\beta_3$  represent the regression coefficients;  $X_1$  represents solvency measured by CAR;  $X_2$  represents liquidity measured by LDR;  $X_3$  represents inflation; and  $e$  represents the error term.

## RESULTS AND DISCUSSION

### Descriptive Statistical Analysis

The population of this study consisted of all banking companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2025 period. Based on the predetermined

sampling criteria, 29 banking companies were selected, resulting in 116 initial observations. Following the normality test, one observation was identified as an outlier, namely Bank Central Asia (BBCA) in 2024. Therefore, the outlier was excluded from the subsequent analysis, resulting in a final sample of 115 observations.

| Variable           | N   | Minimum | Maximum | Mean    | Std. Deviation |
|--------------------|-----|---------|---------|---------|----------------|
| CAR                | 115 | 10.10   | 283.38  | 38.2134 | 32.10463       |
| LDR                | 115 | 20.45   | 574.98  | 95.0989 | 56.37483       |
| Inflation          | 115 | 1.57    | 5.51    | 3.1663  | 1.45511        |
| ROA                | 115 | 0.02    | 3.64    | 1.3346  | 0.94265        |
| Valid N (listwise) | 115 |         |         |         |                |

The descriptive statistics indicate that the mean value of CAR was 38.21%, with a standard deviation of 32.10%. Since the standard deviation was lower than the mean, the CAR data showed relatively moderate dispersion among the sampled companies. The mean LDR was 95.10%, with a standard deviation of 56.37%, indicating considerable variation in liquidity levels across the sampled banking companies. Meanwhile, inflation had a mean of 3.17% and a standard deviation of 1.46%, indicating relatively limited variation during the observation period. ROA had a mean of 1.33%, with a standard deviation of 0.94%, indicating differences in profitability among the sampled banking companies.

### **Classical Assumption Tests**

The initial normality test based on 116 observations produced a Monte Carlo Significance (2-tailed) value of 0.040, which was below the 0.05 significance level. Therefore, the residuals were initially considered not to be normally distributed. Further examination using a boxplot identified one outlier, namely the BBCA 2024 observation. After removing this outlier, the Monte Carlo Significance (2-tailed) value increased to 0.051, which was greater than 0.05. Thus, the residuals were considered to have achieved normal distribution.

| Test                            | Result                                            | Interpretation                      |
|---------------------------------|---------------------------------------------------|-------------------------------------|
| Normality (Monte Carlo K-S)     | Sig. = 0.051 after outlier removal                | Normally distributed                |
| Multicollinearity               | Tolerance = 0.567–0.976; VIF = 1.025–1.762        | No multicollinearity                |
| Heteroscedasticity (Glejser)    | CAR = 0.634; LDR = 0.247; Inflation = 0.577       | No heteroscedasticity               |
| Autocorrelation (Durbin-Watson) | Initial DW = 0.481; after Cochrane-Orcutt = 1.861 | No autocorrelation after correction |

The initial autocorrelation test produced a Durbin-Watson value of 0.481, which was lower than the lower bound (dL) of 1.6427, indicating the presence of positive autocorrelation. To address this problem, the Cochrane-Orcutt procedure was applied. Following the correction, the Durbin-Watson value increased to 1.861. This value was between the upper bound (dU) of 1.7496 and 4 – dU of 2.2504. Therefore, the regression model was considered free from autocorrelation after the Cochrane-Orcutt correction. The multicollinearity test showed tolerance values ranging from 0.567 to 0.976 and VIF values ranging from 1.025 to 1.762. Because all tolerance values were greater than 0.10 and all VIF values were below 10, the regression model did not exhibit multicollinearity. Furthermore, the Glejser test produced significance values of 0.634 for CAR, 0.247 for LDR, and 0.577 for inflation. Since all significance values exceeded 0.05, the model was considered free from

heteroscedasticity.

### Multiple Linear Regression Analysis and Hypothesis Testing

Multiple linear regression analysis was conducted to examine the effects of solvency, measured by the Capital Adequacy Ratio (CAR), liquidity, measured by the Loan to Deposit Ratio (LDR), and inflation on financial performance, measured by Return on Assets (ROA).

| Variable                    | B      | t-value | Sig.  | Interpretation  |
|-----------------------------|--------|---------|-------|-----------------|
| Constant                    | 0.266  | 4.111   | 0.000 | –               |
| CAR (X <sub>1</sub> )       | –0.002 | –0.923  | 0.358 | Not significant |
| LDR (X <sub>2</sub> )       | 0.004  | 3.612   | 0.000 | Significant     |
| Inflation (X <sub>3</sub> ) | –0.016 | –0.533  | 0.595 | Not significant |

The resulting regression equation is:

$$Y = 0.266 - 0.002X_1 + 0.004X_2 - 0.016X_3 + e \quad (2)$$

where Y represents financial performance measured by ROA, X<sub>1</sub> represents solvency measured by CAR, X<sub>2</sub> represents liquidity measured by LDR, X<sub>3</sub> represents inflation, and e represents the error term. Using a t-table value of 1.9815 at a degree of freedom (df) of 111 and a 5% significance level, LDR obtained a t-value of 3.612, which was greater than the critical value of 1.9815, with a significance value of 0.000 < 0.05. Therefore, LDR had a positive and significant effect on ROA, supporting H2. In contrast, CAR obtained a t-value of –0.923 with a significance value of 0.358 > 0.05. Thus, CAR did not have a significant effect on ROA, and H1 was rejected. Inflation obtained a t-value of –0.533 with a significance value of 0.595 > 0.05. Therefore, inflation did not have a significant effect on ROA, resulting in the rejection of H3.

### F-Test and Coefficient of Determination

| Test              | Value | Criterion      | Interpretation |
|-------------------|-------|----------------|----------------|
| F-value           | 4.666 | F-table = 2.69 | Significant    |
| Sig. F            | 0.004 | < 0.05         | Significant    |
| R                 | 0.335 | –              | –              |
| R Square          | 0.112 | –              | –              |
| Adjusted R Square | 0.088 | –              | 8.8%           |

The F-test produced an F-value of 4.666, which was greater than the F-table value of 2.69, with a significance value of 0.004 < 0.05. These results indicate that solvency (CAR), liquidity (LDR), and inflation simultaneously had a significant effect on financial performance (ROA). Therefore, H4 was supported. The Adjusted R Square value of 0.088 indicates that solvency, liquidity, and inflation jointly explained 8.8% of the variation in financial performance. The remaining 91.2% was explained by other factors not included in the research model.

### The Effect of Solvency (CAR) on Financial Performance (ROA)

The results indicate that solvency, as measured by CAR, did not have a significant effect on financial performance, as measured by ROA. Therefore, H1 was rejected. This finding indicates that a higher level of bank capital does not necessarily result in improved financial performance. Capital held by banks is not entirely allocated to profit-generating activities because a portion of the capital is maintained to comply with minimum capital adequacy requirements established by regulators and to serve as a buffer against business risks.

From the perspective of Signalling Theory, a high level of capital adequacy may

provide information regarding the bank's financial strength and ability to absorb potential risks. However, such a signal does not necessarily translate into higher profitability because investors may also consider how effectively the bank utilizes its assets to generate income. Therefore, the amount of capital alone may not be sufficient to improve ROA when the capital is not optimally utilized for productive activities. This finding is consistent with Cecillia and Widiyanto (2025), who found that solvency did not have a significant effect on the financial performance of banking companies. However, the finding differs from Latifah et al. (2023), who reported that solvency had a positive and significant effect on financial performance. This difference may be attributable to variations in the research period, sample characteristics, and economic conditions underlying the respective studies.

#### **The Effect of Liquidity (LDR) on Financial Performance (ROA)**

The results demonstrate that liquidity, as measured by LDR, had a positive and significant effect on financial performance, as measured by ROA. Therefore, H2 was supported. This finding indicates that banking companies were able to manage third-party funds effectively through productive lending activities. Increased lending may generate higher interest income, which subsequently contributes to increased profitability and improved ROA. From the perspective of Signalling Theory, the ability of banks to effectively allocate third-party funds through lending activities may provide a positive signal to investors concerning the efficiency of resource management. A relatively high LDR, within an appropriate range, may indicate that funds collected from customers are being utilized productively rather than remaining idle. Consequently, effective liquidity management can contribute to improved financial performance.

This finding is consistent with Ayu et al. (2025), who found that liquidity had a positive and significant effect on financial performance. However, the finding differs from Bungatang et al. (2025), who found that liquidity did not have a significant effect on the financial performance of banking companies listed on the Indonesia Stock Exchange. These differences may be related to variations in the characteristics of the samples, research periods, and measurement or analytical approaches used.

#### **The Effect of Inflation on Financial Performance (ROA)**

The results indicate that inflation did not have a significant effect on financial performance, resulting in the rejection of H3. In addition to being statistically insignificant, the regression coefficient for inflation was negative ( $-0.016$ ), which differed from the positive direction proposed in the hypothesis. This finding indicates that changes in inflation during the research period did not have a statistically significant impact on banking profitability. One possible explanation is that banking companies were able to adjust their lending and deposit interest rate policies in response to changes in inflation. Such adjustments may have reduced the direct impact of inflationary pressures on bank profitability. In addition, the banking sector may have possessed sufficient capacity to adapt to macroeconomic fluctuations, meaning that changes in inflation did not automatically translate into significant changes in ROA.

From the perspective of Signalling Theory, changes in inflation may provide information about macroeconomic conditions; however, investors may not necessarily interpret short-term inflation fluctuations as a direct indicator of banking profitability. Other factors, such as interest rate policies, credit quality, operational efficiency, and bank-specific strategies, may play a more important role in determining financial performance. This finding is consistent with Yogatama et al. (2024), who found that inflation did not have a



significant effect on banking financial performance. However, it differs from Aminin (2024), who found that inflation had a positive and significant effect on the ROA of banking companies. The differences between these findings indicate that the relationship between inflation and banking performance may depend on the economic conditions and characteristics of the observation period.

#### **The Simultaneous Effect of Solvency, Liquidity, and Inflation on Financial Performance**

The results demonstrate that solvency (CAR), liquidity (LDR), and inflation simultaneously had a significant effect on financial performance (ROA). Therefore, H4 was supported. Although only liquidity had a statistically significant effect on ROA when examined individually, the three independent variables collectively contributed significantly to explaining variations in banking financial performance. This finding indicates that banking financial performance is influenced by the interaction of internal and external factors. Internal factors, particularly capital adequacy and the ability to distribute funds through lending activities, determine the extent to which banks can utilize their financial resources productively. Meanwhile, inflation represents a macroeconomic factor that may influence the operating environment of the banking sector. Although inflation and CAR did not individually demonstrate significant effects, their inclusion in the regression model alongside LDR contributed to the overall explanatory power of the model.

The finding is consistent with Wicaksono et al. (2022), who found that liquidity, solvency, and firm size simultaneously had a significant effect on financial performance. It is also consistent with Fakhri et al. (2025), who reported that liquidity and inflation simultaneously affected the financial performance of conventional banks listed on the Indonesia Stock Exchange. Nevertheless, the relatively low Adjusted R Square value of 8.8% indicates that a substantial proportion of the variation in banking financial performance remains attributable to other factors outside the research model. These factors may include operational efficiency, asset quality, interest rates, credit risk, firm size, and other bank-specific or macroeconomic variables.

#### **CONCLUSION**

Based on the results of the multiple linear regression analysis of 29 banking companies listed on the Indonesia Stock Exchange during the 2022–2025 period, comprising 115 observations, the study concludes that: (1) solvency, as measured by the Capital Adequacy Ratio (CAR), does not have a significant effect on financial performance, as measured by Return on Assets (ROA); (2) liquidity, as measured by the Loan to Deposit Ratio (LDR), has a positive and significant effect on financial performance (ROA); (3) inflation does not have a significant effect on financial performance (ROA); and (4) solvency, liquidity, and inflation simultaneously have a significant effect on financial performance (ROA), with the model explaining 8.8% of the variation in ROA. These findings highlight the importance of effective credit allocation and liquidity management for banking management. The relatively low explanatory power of the model also suggests that future research should consider additional variables, such as operational efficiency, firm size, exchange rates, credit risk, or interest rates, to provide a more comprehensive explanation of variations in banking financial performance.

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