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Analysis of the Influence of BPR Health Level on Profitability with CKPN as a Moderating Variable after the Implementation of Private Entity Financial Accounting Standards (SAK EP): Case Study on BPR in Central Java Province

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Abstract

The implementation of the Financial Accounting Standards for Private Entities was established by the Indonesian Institute of Accountants (IAI) on June 30, 2021, and will be effective as of January 1, 2025. Opposition from the industry, particularly rural banks (BPRs) engaged in banking services, has been quite strong and intense. This is because they believe that the calculation of allowances for impairment losses will no longer use a specific rate without distinguishing between financial asset groups. BPR practitioners believe that this calculation of allowances for impairment losses will impact the influence of soundness variables on profit or profitability. Our research targeted a sample of 122 conventional rural banks in Central Java that are required to apply SAK EP in calculating allowances for impairment losses. Meanwhile, the soundness indicator is proxied by the ratios of NPL, LDR, CR, NIM, GCG, and Capital to ROA, after being moderated by the allowances for impairment losses established in accordance with the Financial Accounting Standards for Private Entities (SAK-EP). Based on the results, health level indicators are proxied in the ratioNPL, LDR, CR, NIM, GCG, and Capitalization on ROAinfluence. GCG and Capitalization have a significant influence on ROA, while NPL, LDR, CR, and Capitalization have a moderate influence on ROA. After the implementation of CKPN, it turns out that it does not become a moderating variable that strengthens the relationship between these variables. In relation to the results of this study, BPRs that implement CKPN based on new accounting standards do not become a moderating variable on the variableNPL, LDR, CR, NIM, GCG, and Capitalization on ROA.BPRs only need to calculate the CKPN (Cash Allowance for Loans) based on PD and LGD, which truly reflect their credit risk, thus achieving true profitability.

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1. Introduction

On June 30, 2021, the Financial Accounting Standards Board (DSAK) of the Indonesian Institute of Accountants (IAI) announced the Private Entity Financial Accounting Standards (SAK EP), which will be effective on January 1, 2025. SAK EP was developed to meet the financial reporting requirements of private companies, replacing SAK ETAP. SAK EP is derived from the adoption of International Financial Reporting Standards (IFRS) for SMEs (2015 edition), with several modifications to accommodate the Indonesian situation. All Privately-Owned Enterprises, including those without public accountability and those preparing general-purpose financial reports for external clients, are required to apply SAK EP. To produce fair and appropriate financial reports that assist in decision-making, Rural Banks (BPR) are required to prepare and present financial reports in accordance with applicable accounting standards. Starting January 1, 2025, BPRs that previously used SAK ETAP are required to adopt SAK EP as a framework for preparing financial reports. Even though BPR is a business entity with considerable public accountability, BPR can use SAK EP provided that the authorities have the authority to permit its application.

A rural bank (BPR) is a financial services business entity as defined in Law Number 7 of 1992 concerning Banking of the Republic of Indonesia. As amended by Law Number 10 of 1998, most recently by Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector (UU P2SK), the definition of a rural bank (BPR) has been changed from a rural credit bank (BPR) to a rural economic bank (BPR). A rural bank (BPR) is a financial institution that conducts business activities both conventionally and based on sharia principles, and does not conduct direct giro transactions.

BPRs play a crucial role as financial intermediaries, particularly in the regions or communities where they are established. This scenario is sometimes referred to as community banks, as their segments, targets, and markets focus on the local community. BPRs function as intermediaries by collecting public funds through savings and deposits, then reallocating these funds as credit. In the Financial Services Authority (OJK) Press Release dated December 31, 2024, in the 2024 Reflection: Indonesian Banking Remains Solid and Moves Forward Optimistically, in October 2024, amidst global economic uncertainty, the number of BPRs was recorded at 1,369 units, down from 1,405 units in December 2023 across Indonesia.

In Central Java Province, there are 120 conventional rural banks (BPRs) managed by the Central Java OJK Regional Office. These funds are distributed in the form of credit. This is the main source of income used to support the main expenses, namely interest on savings and deposits, as well as other fixed costs such as labor costs, maintenance costs, and taxes. BPRs do not yet have many sources of income other than interest on loans provided. BPR fee-based income generally comes from fees from collaborations with banks. third parties such as notaries, insurance companies and guarantees. Based on these core activities, rural banks (BPRs) are also said to have added value when they are able to generate profits from asset management to generate revenue and control operational costs. These profitability proxies are often expressed in Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM) ratios. The importance of these ratios is often a primary consideration for stakeholders when making decisions, whether to increase capital deposits (investments) or to retain their funds with the BPR.

Table 1.
Development of the Health Ratio of BPRs in the Working Area of the OJK Office of Central Java Province, 2021 - June 2025

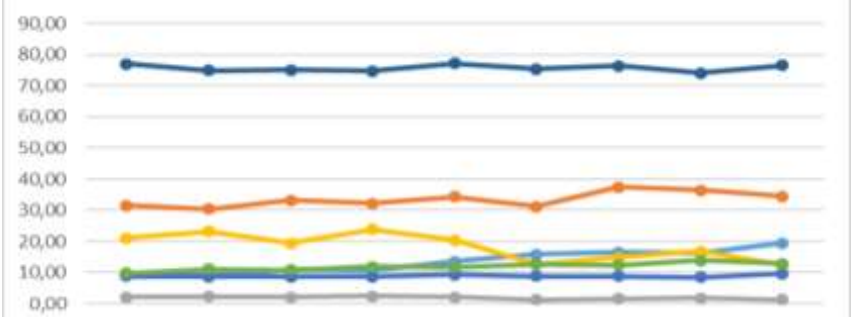
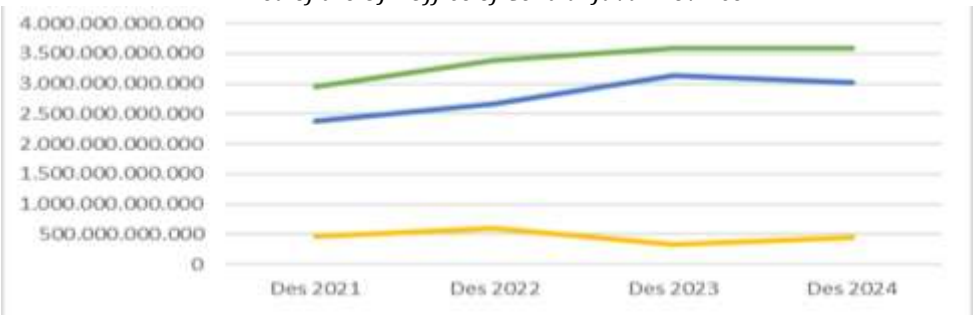


Table 1. illustrates the development of Bank Health Level conditions as reflected in the NPL-gross ratio, CAR, ROA, ROE, NIM, Cash Ratio (CR) and LDR of conventional BPRs in the Central Java region on a semi-annual basis starting in 2021 and the first semester of 2025. The trend of non-performing loans with a proxy of NPL-gross increased with the worst condition in the first semester of 2025 at 19.37%, along with the trend of profitability ratios reflected in the ROA ratio decreasing to 1.28%.

The profit of conventional rural banks (BPRs) operating within the jurisdiction of the OJK Office of Central Java Province fluctuated from 2021 to 2024 due to the economic turmoil during the unstable post-COVID-19 recovery period. In 2022, there was a slight increase due to the ongoing credit restructuring policy for debtors affected by COVID-19, but after the policy was lifted in 2023, it experienced a significant decline.

Table 2.
Development of Operational Income, Operational Costs and Profit of BPRs in the Working Area of the OJK Office of Central Java Province



The important role of rural banks (BPR) in driving the regional economy and increasing financial accessibility, especially for MSMEs, requires BPR to increase transparency of financial conditions by providing relevant and comprehensive financial reports in accordance with applicable financial accounting standards. The Financial Services Authority (OJK) has issued Circular Letter (SE) Number 21/SEOJK.03/2024 concerning Banking Accounting Guidelines for BPR on December 24, 2024, and POJK 1 of 2024 concerning BPR Asset Quality on January 10, 2024. These documents mandate BPR to calculate Allowance for Impairment Losses (CKPN) for all financial assets experiencing impairment starting January 1, 2025.

The calculation of CKPN is new for BPRs, which was not previously required by the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP). Therefore, referring to several previous studies of a similar nature and related to the impact and influence of the implementation of CKPN calculations in Commercial Banks, which were already

in effect before being implemented for the BPR industry, namely the implementation of PSAK 50 and 55 in 2010 and PSAK 71 in 2018, effective January 1, 2020.

Several previous studies have demonstrated the impact of new accounting rules on capitalization, financial health, profitability, and overall company valuation. Ramadani et al.'s (2024) study demonstrated a substantial impact of LDR, GCG, NIM, and CAR simultaneously on earnings quality and CKPN, with moderating variables strengthening the relationship, as seen in the case study of Regional Development Banks after the implementation of PSAK 71. Balqis Nurul Hikmat et al.'s (2023) study examined the impact of Non-Performing Loans (NPL), Loan to Deposit Ratio (LDR), and Capital Adequacy Ratio (CAR) on profitability using CKPN as a moderating variable, focusing on banking companies listed on the IDX during 2020-2021, with CKPN calculated based on PSAK 71. The results showed that NPL, LDR, and CAR partially affected profitability, but CKPN could minimize the impact of NPL on profitability. However, CKPN could not mitigate the impact of LDR and CAR on profitability. Khairul Saleh Lumban Tobing (2023) conducted a study on CKPN in his dissertation that analyzed the impact of bank health levels on company value, using CKPN as a moderating variable, with a sample population of foreign exchange commercial banks listed on the IDX from 2015 to 2017. The results of the study showed that the interaction of CKPN with the relationship between Risk Profile, GCG, and profit did not affect business value, but the relationship between CKPN and capital affected the value of banking companies listed on the Indonesia Stock Exchange from 2015 to 2019. The relationship between CKPN and capital is the only factor that can be influenced by CKPN related to the impact of bank health on company value. The sample population year shows that financial institutions still use PSAK 55 as the basis for calculating CKPN.

It should be noted that in SAK EP, especially Chapter 11 Basic Financial Instruments and Chapter 12 Issues Related to Other Financial Instruments, also allows the use of PSAK 55 Financial Instruments: "Recognition and Measurement, which is currently no longer used by Commercial Banks because it has been replaced by PSAK 71. Both Chapters 11 and 12 or PSAK 55 both use the concept of incurred loss measurement, namely that the decline in financial assets is assessed when there is objective evidence of a decline in the value of financial assets.

Based on the differences in the research results that have been explained previously and the results of previous research and the sample population object is a Commercial Bank, the purpose of this study is to analyze how the health level of BPR influences profitability with CKPN as a moderating variable after the first implementation of the Private Entity Financial Accounting Standards (SAK EP) with the sample population object of BPR located in the Central Java and DIY Provinces.

2. Methods

This is quantitative and uses secondary data. The data used in this study were obtained from published financial reports of rural banks (BPR) from 2024 to June 2025. The data period was taken from the second and fourth quarters. The number of conventional BPRs in Central Java and Yogyakarta is 266. However, the panel data sampling will only be for the working area of Central Java Province, which is 112. The data used is panel data. This study uses a two-step analysis technique: initially, descriptive statistical analysis is performed on the data, followed by a model selection test using the Chow and Hausman tests to identify the most appropriate regression model. After selecting the appropriate regression model, the next step is to conduct classical assumption tests, including assessments of normality, multicollinearity, and heteroscedasticity. After the data is validated against the classical assumption criteria, panel data regression analysis will be conducted using Moderated Regression Analysis (MRA). Ghozali

(2016) stated that the interaction test, known as MRA, is a specific application of multiple linear regression whose regression equation contains an interaction term (the product of two or more independent variables). Hypothesis testing is conducted by conducting a t-test, an F-test, and an assessment of the coefficient of determination on the data.

3. Results and Discussion

Hypothesis Testing Results

Hypothesis testing uses a two-step analysis technique: descriptive statistical analysis is performed on the data, followed by model selection using the Chow and Hausman tests to identify the most appropriate regression model. After selecting an appropriate regression model, classical assumption tests are performed, including assessment of normality, multicollinearity, and heteroscedasticity. After the data is validated against the classical assumption criteria, panel data regression analysis is performed using Moderated Regression Analysis (MRA).

Classical Assumption Test

Normality Test

The normality test aims to determine whether the regression model, consisting of the dependent and independent variables, has a normal distribution. The normality test is first performed using the One Sample Kolmogorov-Smirnov Test..Normality testing was performed on the standard residual values from the regression model. Data were categorized as normally distributed if they produced an asymptotic significance > alpha (5%).

Table 3.
Data Normality Test Results
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		336
Normal Parametersa,b	Mean	.0000000
	Standard Deviation	4.24524067
Most Extreme Differences	Absolute	.164
	Positive	.138
	Negative	-.164
Test Statistics		.164
Asymp. Sig. (2-tailed)		.870c

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Based on the results of the analysis above, it can be seen that the Asymp.sig value (2 tailed) is greater than the 5% confidence level (0.870>0.05) so that the research data is categorized as normally distributed.

Multi collinearity Test

The multi collinearity assumption test aims to test whether the regression model finds a correlation between independent variables, to be able to detect the presence or absence of multicollinearity in the regression model is to look at the Tolerance and VIF (Variance Inflation Factor) values through the SPSS program. Tolerance measures the variability of selected variables that are not explained by other independent variables, the value commonly used to indicate the presence of multi collinearity is tolerance <0.1 or equal to the VIF value> 10. And vice versa if the tolerance value> 0.1 and VIF <10 then there is no multi collinearity.

Table 4.
Multicollinearity Test Results

Variables	Collinearity Statistics	
	Tolerance	VIF
Risk Profile	.923	1,083
GCG	.871	1,149
Student ID Number	.867	1,153
CAR	.875	1,143
CKPN	.952	1,051

Dependent Variable: ROA

From the test results above, it can be concluded that the independent variables (Risk Profile, GCG, NIM, CAR and CKPN) do not experience symptoms of multicollinearity because they have a tolerance value of >0.1 and a VIF value of <10.

Heteroscalarity Test

The heteroscedasticity test is performed to determine whether a regression model exhibits unequal variances between residuals from one observation to another. If the variance remains constant, it is called homoscedasticity, and if it differs, it is called heteroscedasticity. Heteroscedasticity will result in ineffective estimation of regression coefficients. Heteroscedasticity is tested by regressing the absolute residuals of the regression results with all independent variables. If the probability of the regression result is greater than 0.05 (p>0.05), then the regression equation does not contain heteroscedasticity, and vice versa.

Table 5.
Heteroscedasticity Test Results

Variabel	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Err	Beta		
(Constant)	.668	2.050		.326	.745
Profil Risiko	.002	.019	.005	.086	.932
GCG	-.270	.650	-.024	-.415	.678
NIM	-.003	.061	-.003	-.043	.966
CAR	.002	.013	.008	.137	.891
CKPN	-4,18E-10	.000	-.002	-.028	.978
a. Dependent Variable: Absres					

Based on the table above it can be seen that the independent variable (Risk Profile, GCG, NIM, CAR and CKPN) does not have a significant effect on the Absolute Residual with a significance value greater than 0.05 (p>0.05), meaning that there are no symptoms of heteroscedasticity.

Multiple Regression Test

Table 6.
Goodness of Fit Test (Coefficient of Determination)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.528[a]	.279	.270	427.195

Predictors: (Constant), CAR, Profil Risiko, GCG, NIM

The table above shows that the R value obtained is 0.528. This indicates that the correlation or relationship between the independent variables (Risk Profile, GCG, NIM, and CAR) with the dependent variable (ROA) is included in the moderate category. The resulting R2 coefficient of determination is 0.279. This means that 27.9% of the variation in ROA can be explained by the independent variables (Risk Profile, GCG, NIM, and CAR) used in the regression equation. While the remaining 72.1% is explained by other variables outside this study.

Simultaneous Significance Test F

The simultaneous F significance test was conducted to determine the influence of independent variables (Risk Profile, GCG, NIM and CAR) on the dependent variable (ROA).

Table 7.
ANOVA test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.332.116	4	583.029	31.948	.000[b]
	Residual	6.040.606	331	18.250		
	Total	8.372.723	335			

a. Dependent Variable: ROA

b. Predictors: (Constant), CAR, Profil Risiko, GCG, NIM

The ANOVA or F-test results above yield a significance value of 0.000. Since the significance value is less than 0.05 (0.000<0.05), it can be concluded that the independent variables (Risk Profile, GCG, NIM, and CAR) simultaneously or jointly have a significant effect on the dependent variable (ROA).

Partial T-Test

The t-test is intended to determine how far the influence of one independent variable (Risk Profile, GCG, NIM and CAR) individually in explaining the dependent variable (ROA), the testing criteria with a significance level (a) = 0.05 are determined as follows:

1. If the significance value is greater than 0.05, the independent variable does not have a significant effect on the dependent variable.
2. If the significance value is less than 0.05, the independent variable has a significant effect on the dependent variable.

Table 8.
Partial t-Test Results

Variables		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7,224	2,045		3,533	.000
	Risk Profile	-.097	.019	-.248	-5.159	.000
	GCG	-2,331	.646	-.179	-3,609	.000
	Student ID Number	.303	.061	.249	4,972	.000
	CAR	.060	.013	.228	4,572	.000

a. Dependent Variable: ROA

Based on the results presented in the table, it is stated that all independent variables examined in this study have a statistically significant effect on Return on Assets (ROA). The Risk Profile variable shows a significance value of 0.000, which is lower than the threshold of 0.05 ($p < 0.05$), indicating that Risk Profile has a significant effect on ROA. Similarly, the Good Corporate Governance (GCG) variable also has a significance value of 0.000, confirming its significant influence on ROA. Furthermore, the Net Interest Margin (NIM) variable demonstrates a significance value of 0.000, suggesting that it significantly affects ROA. Lastly, the Capital Adequacy Ratio (CAR) variable, with a significance value of 0.000, likewise has a significant effect on ROA. These findings indicate that Risk Profile, GCG, NIM, and CAR collectively play important roles in determining the financial performance of firms as measured by ROA.

a. Regression Equation

Coefficientsa

Variables		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7,224	2,045		3,533	.000
	Risk Profile	-.097	.019	-.248	-5.159	.000
	GCG	-2,331	.646	-.179	-3,609	.000
	Student ID Number	.303	.061	.249	4,972	.000
	CAR	.060	.013	.228	4,572	.000

a. Dependent Variable: ROA

The regression equation that can be made from the results of this analysis is as follows:

$$Y = 7.224 - 0.097X1 - 2.331X2 + 0.303X3 + 0.060X4$$

Y = ROA
X1 = Risk Profile
X2 = GCG
X3 = NIM
X4 = CAR

1. Constant = 7.224 means that without being influenced by independent variables (Risk Profile, GCG, NIM and CAR), the ROA value is 7.224.
2. X1 = -0.097 means that if the Risk Profile increases or is increased by one unit, then ROA will decrease by 0.097 units. The risk profile, reflected in the NPL value as credit risk, Cash Ratio and LDR as liquidity risk, indicates that a higher risk profile value will affect the decreasing ROA. Thus, hypothesis 1 (H1) is accepted.
3. X2 = -2.331 means that if GCG increases by one unit, ROA will decrease by 2.331 units. The GCG assessment is indicated by the composite rating (PK) value, if it increases by 1 PK it reflects increasingly poor GCG management, and a smaller GCG value indicates better GCG implementation. An increase in the GCG PK value will affect the decrease in the ROA ratio by 2.331 units. This is in line with governance theory, the worse the implementation of business processes, the more it affects the company's ability to generate profits. Thus, hypothesis 2 (H2) can be accepted.
4. X3 = 0.303 means that if NIM increases by one unit, ROA will increase by 0.303 units. NIM, which reflects net operating income, has a positive effect on ROA. A higher NIM ratio reflects higher net operating income. Therefore, Hypothesis 3 (H3) is accepted.
5. X4 = 0.247 means that if CAR increases or is increased by one unit, ROA will increase by 0.247 units. CAR is a capital indicator, with a result of 0.247 indicating that higher capital will have a positive effect on increasing profitability or ROA. Thus, hypothesis 4 (H4) can be accepted.

b. The Influence of Moderating Variables

The next interaction test is to determine whether the formation of CKPN after BPR implements SAK Private Entities, strengthens or weakens the influence of Risk Profile, GCG, NIM and CAR on ROA. By using *Moderated Regression Analysis (MRA).* From the results of the interaction test, the following is known:

Coefficientsa

Variables		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	1,929	.310		6,228	.000
	Risk Profile*CKPN	-1.245E-12	.000	-.173	-.451	.653
	GCG*CKPN	-6.164E-11	.000	-.568	-1.288	.199
	NIM*CKPN	1.287E-11	.000	.424	1,707	.089
	CAR*CKPN	2.401E-12	.000	.301	1,133	.258

a. Dependent Variable: ROA

The table above is the result of the analysis of the influence of the Risk Profile, GCG, NIM and CAR variables moderated by the CKPN variable., with the following conclusions. The analysis of the interaction between Risk Profile and Allowance for Loss (Risk Profile*CKPN) on ROA indicates a significance value of 0.653, which exceeds the threshold of 0.05 ($p > 0.05$). This finding suggests that the moderating effect is not statistically significant. While previous results demonstrated that Risk Profile has a significant direct effect on ROA, the inclusion of CKPN as a moderating variable does not strengthen this relationship. Instead, it can be inferred that CKPN does not function as a moderator and may even weaken the influence of Risk Profile on ROA.

Similarly, the interaction between Good Corporate Governance (GCG) and CKPN (GCG*CKPN) yields a significance value of 0.199, which is also greater than 0.05 ($p > 0.05$). This result indicates that CKPN does not significantly moderate the relationship between GCG and ROA. Given that GCG was previously found to have a significant direct effect on ROA, the absence

of a significant interaction term implies that CKPN does not enhance this effect. Rather, it suggests that CKPN may attenuate the impact of GCG on ROA.

In the case of Net Interest Margin (NIM) moderated by CKPN (NIM*CKPN), the significance value is 0.089, which remains above the 0.05 threshold ($p > 0.05$). Although this value is relatively closer to the significance level compared to other interaction terms, it is still not statistically significant. As NIM was previously shown to significantly affect ROA, the lack of moderation implies that CKPN does not play a meaningful role in strengthening this relationship. Consequently, CKPN can be interpreted as weakening the effect of NIM on ROA.

Lastly, the interaction between Capital Adequacy Ratio (CAR) and CKPN (CAR*CKPN) produces a significance value of 0.258, which is also greater than 0.05 ($p > 0.05$). This indicates that CKPN does not significantly moderate the effect of CAR on ROA. Considering that CAR had a significant direct influence on ROA in earlier findings, the non-significant interaction term suggests that CKPN does not reinforce this relationship. Instead, it can be concluded that CKPN does not act as a moderating variable and may reduce the strength of CAR's effect on ROA

Based on the results of the MRA analysis, it can be said that the moderating variable here is the CKPN weakening the influence of other independent variables, namely Risk Profile, Governance, NIM and CAR. According to Ferdinand A, 2006, a moderating variable is a variable that can strengthen or weaken the direct relationship between the independent variable and the dependent variable. This result indicates that when BPR forms CKPN, which is a buffer against the decline in asset value so that the BPR will experience losses, it weakens the influence of the Risk Profile on ROA. A moderating variable that weakens means reducing the strength of the independent variable on the dependent variable. When the formation of CKPN is high, the influence of the Risk Profile which is considered High will not have an impact on the decline in ROA, the influence of the Governance actor.

The enactment of SAK EP changes the method of calculating the CKPN (Current Impairment Allowance) as a reserve when a rural bank's productive assets experience impairment. The CKPN calculation incorporates historical data on credit failures and collateral sales as the final source of cash flow. Correct CKPN calculations, based on the rural bank's historical data, can mitigate the impact of increasing credit risk profiles, deteriorating governance, declining NIM levels, and declining capital on ROA, an indicator of profitability.

To the author's knowledge, this has not been found in previous studies that specifically discuss the CKPN as a moderating variable, and the results of the study did not support the previous hypothesis. This may be because the implementation of CKPN is still in the learning stage for BPRs, so the current CKPN value cannot yet reflect the fulfillment of the reserves that have been formed with the risks that must be covered, so as not to impact profitability. As research has been conducted by Ramadani et al., 2024 who examined the effect of Bank Soundness Level on earnings quality with CKPN as a moderating variable after the implementation of PSAK 71 with a sample of 20 Conventional Regional Development Banks, where the results of the study statistically showed a significant effect of LDR, GCG, NIM, and CAR simultaneously on earnings quality and CKPN was able to strengthen the relationship as a moderating variable.

Based on the research results described above, it can be concluded that, individually and simultaneously, Risk Profile, GCG, NIM, and Capital (CAR) influence BPR profitability. However, the resulting coefficient of determination R2 is 0.279. Therefore, there are still other variables outside this study that can influence BPR profitability. This can be considered by other researchers to explore these variables. Meanwhile, the Allowance for Impairment Losses (CKPN), as a moderating variable, apparently weakens the influence of Risk Profile, GCG, NIM, and Capital (CAR) on BPR profitability. This contradicts the results of previous research, but

with a different institutional object: Commercial Banks, which have long implemented the concept of financial asset impairment, while BPRs only implemented it in mid-2024.

4. Conclusion

Based on the analysis of the determinants of BPR health levels—proxied by risk profile, governance, Net Interest Margin (NIM), and capital adequacy (CAR)—it can be concluded that these factors collectively play a significant role in shaping profitability as measured by Return on Assets (ROA). Each variable demonstrates a positive relationship with financial performance, indicating that improvements in these areas contribute to better institutional outcomes.

First, effective risk management, as reflected in the Risk Profile assessment, has a positive impact on profitability. A lower risk profile indicates better risk control, which in turn supports higher returns, as evidenced by an increase in ROA. This finding underscores the importance of maintaining prudent risk management practices within BPR operations.

Second, the implementation of good governance practices contributes positively to profitability. Strong governance structures enhance transparency, accountability, and decision-making quality, which ultimately leads to improved financial performance as reflected in ROA.

Third, Net Interest Margin (NIM) plays a crucial role in optimizing net income. A higher NIM indicates more efficient management of interest-earning assets and liabilities, which directly enhances profitability. Thus, effective NIM management is essential for sustaining financial performance.

Finally, capital adequacy, as measured by the CAR ratio, also shows a positive effect on profitability. A higher CAR reflects stronger financial resilience and the ability to absorb potential losses, thereby supporting stable and increased returns. Overall, these findings highlight the importance of maintaining sound financial and governance practices to improve the health and profitability of BPR institutions.

This influence is considered quite strong both individually and simultaneously after the implementation of SAK EP in the calculation of CKPN. The GCG and NIM indicators have the most significant influence on profitability, but after being moderated by CKPN, CKPN is unable to strengthen the relationship. Furthermore, the results obtained for the Risk Profile and CAR indicators show a moderate influence on profitability, especially after being moderated by CKPN, the relationship weakens further. In other words, in maintaining its health, banks must always pay attention to all assessment indicators comprehensively and improve them together so that the goal of bank health can be achieved.

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