

ABSTRACT

The implementation of the Basel III framework is regarded as a necessary global standardization effort aimed at strengthening the resilience of the banking sector, particularly in managing liquidity risk, credit risk, and capital adequacy. However, in Indonesia, despite conventional banks having complied with minimum regulatory ratios such as NPL, CAR, NSFR, and LCR, financial performance as reflected in Return on Assets (ROA) has not shown consistent improvement and tends to fluctuate. This study aims to analyze the impact of credit risk, capital management, and Basel III liquidity requirements on the financial performance of conventional banks in Indonesia. A total of 18 commercial banks listed on the Indonesia Stock Exchange (IDX) during the period 2018–2024 were selected as the research sample, employing panel data analysis. The empirical findings indicate that Return on Assets is positively influenced by the Capital Adequacy Ratio and Net Stable Funding Ratio. In contrast, the Liquidity Coverage Ratio and Non-Performing Loans have a negative impact. These results suggest that effective capital management and long-term funding support profitability, while compliance with short-term liquidity requirements may not necessarily improve performance, and elevated credit risk may suppress financial outcomes. The findings are expected to provide insights for regulators in evaluating Basel III policies, for bank management in improving risk and capital strategies, and for future researchers in exploring additional factors affecting bank performance.

Keywords: *Credit Risk, Capital Adequacy Ratio, Basel III Regulation, Net Stable Funding Ratio, Liquidity Coverage Ratio, Financial Performance, commercial banks, panel data analysis.*