

CHAPTER V

CONCLUSION AND IMPLICATION

A. Conclusion

Analysis and discussion in previous studies have produced the following research conclusions:

1. Non-Performing Loans (NPL) do not have the ability to significantly affect the Net Stable Funding Ratio (NSFR). Based on the results of this study, it can be concluded that an increase in Non-Performing Loans does not directly affect the Net Stable Funding Ratio.
2. The Liquidity Coverage Ratio (LCR) has a positive and significant effect on the Net Stable Funding Ratio (NSFR). These results prove that an increase in short-term liquidity contributes to strengthening long-term stability.
3. Non-Performing Loans (NPL) have a significant effect on the Liquidity Coverage Ratio (LCR). This result proves that an increase in non-performing loans has an impact on the decline in the bank's ability to maintain long-term stability.
4. The Liquidity Coverage Ratio (LCR) is proven to mediate the influence of Non-Performing Loans (NPL) and the Net Stable Funding Ratio (NSFR). This result proves that LCR functions as a transmission

variable that channels the indirect relationship between Non-Performing Loans (NPL) and the Net Stable Funding Ratio (NSFR).

5. Capital has no effect on the Net Stable Funding Ratio (NSFR). Based on the results of this study, it can be concluded that there is complexity in banking dynamics. In other words, even though the capital composition is the most stable, it does not necessarily have a positive and significant effect on the Net Stable Funding Ratio.

B. Implication

The results of this study are expected to support the development of theory and application in managing banking stability in Indonesia. The finding that Non-Performing Loans (NPLs) do not negatively significance on the Net Stable Funding Ratio (NSFR) suggests that growth in non-performing loans does not have directly influence a decline in funding stability. In addition, the positive impact of the Liquidity Coverage Ratio on the Net Stable Funding Ratio supports theory of liquidity management, which states that having sufficient liquid assets can strengthen long-term funding resilience.

On the other hand, the unfavorable impact associated with Non-Performing Loans on the Liquidity Coverage Ratio (LCR) shows that credit risk directly affects a bank's liquidity capacity. The finding that LCR acts as a link between NPL and Net Stable Funding Ratio (NSFR) shows that sustainability of bank's funding structure is highly dependent on good liquidity management. In addition, the negative effect of capital on NSFR shows that the funding

structure and capital composition are still not adequate to support long-term stability, especially if high-cost funds still dominate.

From practical perspective, this findings of this research carry significant implications for banks and the Financial Services Authority (OJK). For banking management, the need of enhancing risk management between credit and liquidity supervision. Banks need to develop an early warning system that can detect potential increases in NPLs and their impact on LCR and NSFR. In addition, management needs to review the funding composition by expanding the portion of low-cost funds and reducing dependence on high-cost funds in order to maintain long-term funding stability. For the regulator, this findings imply the need for executing a comprehensive supervision that synergizes the supervision of credit, liquidity, and funding risks. The OJK may also consider developing liquidity management guidelines that are adaptive to the risk profile of each bank, as well as encouraging stress testing practices that accommodate the potential decline in LCR due to an increase in NPL.

C. Research Limitation

This study has several limitations, namely that it does not analyze the impact of the pandemic on the relationship between NPL, Capital, LCR, and NSFR, even though the study period is 2019-2024, which includes the COVID-19 pandemic, which significantly disrupted economic activity and the performance of the banking sector. In addition, there are hypotheses that are not proven to be significant. This is likely due to unlisted variables and sample

specifications, so that the results of this study can only explain conventional banks listed in the research sample and cannot be generalized to the entire banking sector in Indonesia.

Therefore, further research is expected to add a COVID-19 pandemic dummy variable and expand the selection of research variables so that the results obtained can provide a broader understanding of the factors that affect the stability of long-term bank funding.

