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The Influence of Current Ratio & Debt To Equity Ratio on Return Of Equity at Bank BTPN for the Period 2013 - 2023

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Abstract

This study examines the effect of Current Ratio (CR) and Debt to Equity Ratio (DER) on Return on Equity (ROE) at PT Bank BTPN Tbk during the 2013 to 2023 period. The study addresses the need to understand how liquidity and capital structure shape banking profitability in a competitive and regulated financial sector. A quantitative explanatory approach was applied using secondary data obtained from Bank BTPN's published annual financial reports. The data were analyzed through classical assumption tests and multiple linear regression with SPSS Version 26. The normality, multicollinearity, heteroscedasticity, and autocorrelation tests indicate that the regression model meets the required statistical assumptions. The findings show that CR has a positive but insignificant effect on ROE, indicating that short-term liquidity does not directly increase shareholder returns. This suggests that liquidity functions mainly as a financial safety mechanism rather than a direct driver of profitability. In contrast, DER has a positive and significant effect on ROE, showing that capital structure plays a stronger role in explaining Bank BTPN's profitability. The simultaneous test confirms that CR and DER jointly have a significant effect on ROE, with an R Square value of 0.870. These results imply that Bank BTPN's profitability depends not only on maintaining liquidity, but also on optimizing the productive use of debt and equity. The study concludes that capital structure management is central to improving ROE, while liquidity must support operational stability and income-generating activities. These findings provide evidence for bank managers, investors, and future financial ratio studies in Indonesia.

Introduction

The financial system has a central role in supporting economic activity because it connects surplus fund owners with parties that need financing for productive and consumptive purposes. Through this intermediation function, financial institutions help distribute public funds into credit, investment, payment services, and other financial activities that support economic growth and improve social welfare (Abdullah & Wahjusaputri, 2018). Banks occupy a strategic position in this system because they do not only collect and distribute funds, but also manage liquidity, credit risk, capital adequacy, and public trust as the foundation of financial stability (Kasmir, 2019). In the Indonesian banking sector, competition has become more complex because banks must maintain profitability while responding to regulatory requirements, changes in customer behavior, digital transformation, and macroeconomic pressure (Otoritas Jasa Keuangan, 2023). This condition requires banks to manage their financial structure carefully, especially in relation to liquidity and debt composition, because both factors can influence the ability of banks to generate returns for shareholders.

Bank performance can be assessed through several financial ratios that reflect different aspects of financial health. Profitability remains one of the main indicators because it shows the ability of a bank to generate earnings from the capital and resources it controls (Brigham & Houston,

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2019). Return on Equity (ROE) is often used to measure profitability because it indicates how effectively management uses shareholder equity to produce net income (Pratiwi et al., 2021). A high ROE usually shows that the company can provide attractive returns to shareholders, while a declining ROE may indicate pressure on earnings, inefficient capital use, or a change in business structure (Fahmi, 2020). For banks, ROE has stronger relevance because banking activities rely heavily on public trust, financial leverage, and the ability to convert managed funds into profitable assets (Sartono, 2018). Therefore, changes in ROE need to be examined together with liquidity and solvency indicators so that the interpretation of profitability does not stand alone.

Liquidity management represents a basic requirement for banking operations. A bank must have adequate liquid assets to meet short-term obligations, customer withdrawals, operational payments, and other current liabilities (Sembiring, 2021). The Current Ratio (CR) measures the ability of a company to cover current liabilities using current assets. A higher CR generally indicates stronger short-term payment capacity, although an excessively high ratio may also show that current assets are not used optimally for income-generating activities (Hery, 2020). In banking, liquidity must be managed in a balanced way. Low liquidity can increase financial distress risk, but excessive liquidity can reduce profitability because funds remain idle instead of being channeled into productive assets (Dendawijaya, 2019). This makes the relationship between CR and ROE important to examine, especially in a bank that must maintain both liquidity security and profit growth.

Capital structure also influences profitability because it reflects the proportion of debt and equity used to finance company activities. Debt to Equity Ratio (DER) measures the extent to which company financing depends on debt compared with shareholder equity (Sa'adah et al. 2020). A high DER can increase financial leverage and may strengthen profit potential when borrowed funds generate returns higher than their cost (Brigham & Houston, 2019). However, excessive debt can also raise interest expenses, increase default risk, and reduce investor confidence when the company cannot manage its obligations effectively (Sudana, 2019). In the banking sector, leverage requires careful attention because banks operate with large financial obligations and must maintain capital strength under regulatory supervision (Otoritas Jasa Keuangan, 2023). Therefore, DER may have a direct relationship with ROE because changes in debt composition can affect both risk exposure and the level of return received by shareholders.

PT Bank BTPN Tbk provides a relevant context for examining the relationship between liquidity, debt structure, and profitability. Bank BTPN has developed a strong position in Indonesia's financial sector through services that target specific customer segments, including pensioners, micro customers, small businesses, and digital banking users. The bank's business model requires strong financial discipline because it serves market segments that need accessible financial products while still demanding prudent risk management. In this context, liquidity and capital structure are not only technical accounting measures, but also strategic indicators that show how the bank maintains operational resilience and shareholder value. A bank that can maintain liquidity but cannot preserve profitability may face pressure in creating long-term value. Likewise, a bank that reduces debt without improving returns may indicate that capital strengthening does not automatically translate into higher financial performance.

The financial ratio data of Bank BTPN for the 2013 to 2023 period shows an important pattern. The Current Ratio remained relatively stable, moving within a narrow range from 1.17 to 1.23. This condition indicates that the bank maintained its ability to meet short-term obligations across the period. At the same time, the Debt to Equity Ratio declined from 5.99 in 2013 to

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3.64 in 2023, which shows a gradual reduction in dependence on debt and a stronger capital structure. However, Return on Equity declined from 22% in 2013 to 6% in 2023. This pattern creates an important financial issue because improved capital structure and stable liquidity did not move in the same direction as profitability. In other words, Bank BTPN became more liquid and less dependent on debt, but its ability to generate returns for shareholders weakened during the observed period.

This financial pattern shows that profitability cannot be explained only by the presence of adequate liquidity or lower debt dependence. Stable CR may help the bank reduce short-term financial risk, but it may not automatically increase ROE if liquid assets do not generate sufficient income. A declining DER may reduce financial risk, but it can also affect profitability if the bank reduces leverage that previously supported earning capacity. This condition aligns with the view that financial ratios must be interpreted in relation to one another because liquidity, solvency, and profitability reflect connected dimensions of financial performance (Fahmi, 2020). Previous empirical findings also show that the relationship between CR, DER, and ROE is not always uniform across sectors and periods. Some studies found that CR has no significant effect on ROE, while DER may show either positive, negative, or significant influence depending on the company's capital structure, industry characteristics, and asset productivity (Balqish, 2020; Nada & Hasanuh, 2021; Liza et al., 2022; Susanti & Rohima, 2023; Ramadhan & Widodo, 2024; Septian & Nasution, 2024).

Based on these conditions, the relationship between Current Ratio, Debt to Equity Ratio, and Return on Equity at Bank BTPN deserves focused analysis. The decline in ROE during a period of stable liquidity and decreasing DER indicates a possible gap between financial safety and profit creation. This issue is relevant for investors, management, and financial analysts because it shows that healthier liquidity and lower debt levels do not always guarantee stronger shareholder returns. The analysis of CR and DER toward ROE at Bank BTPN can provide a clearer understanding of how liquidity position and debt structure relate to profitability in the banking sector. It also helps explain whether the bank's financial performance reflects efficient capital use, conservative financing policy, or profitability pressure caused by factors beyond liquidity and debt composition. Therefore, this study focuses on the influence of Current Ratio and Debt to Equity Ratio on Return on Equity at Bank BTPN during the 2013 to 2023 period as an effort to evaluate the financial factors associated with shareholder return performance.

Method

Research Design

This study used a quantitative research design to examine the effect of Current Ratio (CR) and Debt to Equity Ratio (DER) on Return on Equity (ROE) at Bank BTPN during the 2013 to 2023 period. A quantitative approach was appropriate because the study used numerical financial data and statistical testing to measure the relationship between variables. The study applied an explanatory design because it did not only describe the development of financial ratios, but also tested whether liquidity and capital structure had a measurable influence on profitability. In this context, CR represented liquidity, DER represented capital structure, and ROE represented profitability.

Research Object and Unit of Analysis

The object of this study was PT Bank BTPN Tbk, with a specific focus on its financial performance as reflected in annual financial ratios. The unit of analysis was annual financial ratio data observed from 2013 to 2023. Therefore, this study used eleven yearly observations. The selected period was considered relevant because it allowed the study to observe changes

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in liquidity, debt structure, and profitability over a long enough time frame. The analysis focused only on Bank BTPN, so the findings are intended to explain the financial condition of this bank during the observed period rather than to generalize the condition of all banks in Indonesia.

Population and Sample

The population in this study consisted of all published annual financial reports of Bank BTPN. The sample consisted of annual financial reports and processed financial ratio data for the 2013 to 2023 period. The sampling technique used was purposive sampling because the data were selected based on specific criteria. The criteria were that the financial reports had to be officially published, accessible, complete, and contain the financial information needed to calculate Current Ratio, Debt to Equity Ratio, and Return on Equity. Based on these criteria, the study used eleven annual observations from 2013 to 2023.

Data Type and Data Source

This study used secondary data. Secondary data refer to data obtained from existing documents, records, reports, or publications rather than from direct field measurement. In this study, the data were obtained from Bank BTPN's published annual financial reports. The data source was the official website of Bank BTPN, namely https://www.smbci.com/. The financial report data were then reviewed and processed into the ratios used in the analysis. The use of secondary data was appropriate because the variables in this study were financial ratios that can be measured from official company financial reports.

Data Collection Technique

The data collection technique used in this study was documentation. Documentation was conducted by collecting, observing, recording, and reviewing Bank BTPN's annual financial reports for the 2013 to 2023 period. The data collection process focused on financial information related to current assets, current liabilities, total liabilities, total equity, and net income. These components were required to calculate Current Ratio, Debt to Equity Ratio, and Return on Equity. After the relevant financial data were obtained, the data were organized by year and processed into a structured dataset for statistical analysis.

Research Variables

This study used two independent variables and one dependent variable. The independent variables were Current Ratio (CR) and Debt to Equity Ratio (DER). Current Ratio was used to measure the bank's ability to meet short-term obligations with current assets. Debt to Equity Ratio was used to measure the proportion of debt financing compared with equity financing. The dependent variable was Return on Equity (ROE), which was used to measure the bank's ability to generate profit from shareholders' equity. These three variables were selected because they reflect important dimensions of financial performance, namely liquidity, capital structure, and profitability.

Operational Definition of Variables

Current Ratio (CR) was defined as the ratio used to measure the ability of the company to pay current liabilities using current assets. CR was calculated by dividing current assets by current liabilities. A higher CR indicates a stronger ability to meet short-term obligations, although a very high CR may also indicate that current assets are not being used productively. In this study, CR was treated as the first independent variable or X1.

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Debt to Equity Ratio (DER) was defined as the ratio used to measure the comparison between total liabilities and total equity. DER was calculated by dividing total liabilities by total equity. A higher DER indicates that the company uses more debt in its financing structure, while a lower DER indicates stronger equity support and lower dependence on debt. In this study, DER was treated as the second independent variable or X2.

Return on Equity (ROE) was defined as the ratio used to measure the company's ability to generate net income from shareholders' equity. ROE was calculated by dividing net income by total equity and expressing the result as a percentage. A higher ROE indicates stronger profitability and more effective use of equity. In this study, ROE was treated as the dependent variable or Y.

Data Processing Procedure

The data were processed through several stages. First, the annual financial reports of Bank BTPN from 2013 to 2023 were collected from the official company source. Second, the financial components needed to calculate CR, DER, and ROE were identified and recorded. Third, the ratios were calculated and arranged in yearly order. Fourth, the data were entered into SPSS Version 26 for statistical testing. Fifth, the data were tested using classical assumption tests before the regression model was interpreted. This procedure was used to ensure that the regression model met the basic requirements for valid statistical analysis.

Data Analysis Technique

The data analysis technique used in this study was multiple linear regression. Multiple linear regression was selected because the study examined the effect of more than one independent variable on one dependent variable. In this study, CR and DER were tested as predictors of ROE. The regression model was used to determine whether changes in liquidity and capital structure could explain changes in profitability.

In this equation, Y refers to Return on Equity, α refers to the constant, β1 and β2 refer to the regression coefficients, X1 refers to Current Ratio, X2 refers to Debt to Equity Ratio, and e refers to the error term. The regression coefficients show the direction and magnitude of the relationship between each independent variable and ROE.

Normality Test

The normality test was conducted to determine whether the residual data in the regression model were normally distributed. Normality is important because regression analysis requires residuals to follow a normal distribution so that hypothesis testing can produce reliable results. This study used the One-Sample Kolmogorov-Smirnov test to assess normality. The decision criterion was based on the significance value. If the significance value was greater than 0.05, the residual data were considered normally distributed. If the significance value was less than 0.05, the residual data were considered not normally distributed.

Multicollinearity Test

The multicollinearity test was conducted to determine whether there was a strong correlation between the independent variables in the regression model. A good regression model should not contain serious multicollinearity because high correlation between independent variables can distort the estimation of regression coefficients. This study used Tolerance and Variance Inflation Factor (VIF) values to detect multicollinearity. If the Tolerance value was greater than 0.10 and the VIF value was less than 10, the model was considered free from multicollinearity. If the Tolerance value was equal to or less than 0.10 and the VIF value was equal to or greater than 10, the model indicated multicollinearity.

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Heteroscedasticity Test

The heteroscedasticity test was conducted to determine whether the variance of residuals was constant across observations. A good regression model should have homoscedastic residuals, meaning that the residual variance remains stable. This study used the Glejser test to detect heteroscedasticity. The decision criterion was based on the significance value of each independent variable. If the significance value was greater than 0.05, the model was considered free from heteroscedasticity. If the significance value was less than 0.05, the model indicated heteroscedasticity.

Autocorrelation Test

The autocorrelation test was conducted to identify whether the residuals in one period were correlated with residuals in another period. This test was important because the data were arranged in annual time order from 2013 to 2023. Autocorrelation can reduce the accuracy of regression estimates if the error terms are not independent. This study used the Durbin-Watson test to detect autocorrelation. A Durbin-Watson value close to 2 indicates that the model is free from autocorrelation. A value far below 2 indicates positive autocorrelation, while a value far above 2 indicates negative autocorrelation.

Hypothesis Testing

Hypothesis testing was conducted using the t-test and F-test with a significance level of 5 percent or 0.05. The t-test was used to examine the partial effect of each independent variable on ROE. This test showed whether CR individually affected ROE and whether DER individually affected ROE. If the significance value was less than 0.05, the independent variable was considered to have a significant partial effect on ROE. If the significance value was greater than 0.05, the independent variable was considered not to have a significant partial effect on ROE.

The F-test was used to examine the simultaneous effect of CR and DER on ROE. This test showed whether the independent variables jointly explained changes in profitability. If the significance value was less than 0.05, CR and DER simultaneously had a significant effect on ROE. If the significance value was greater than 0.05, CR and DER did not simultaneously have a significant effect on ROE. Through these tests, the study assessed both the individual and combined influence of liquidity and capital structure on Bank BTPN's profitability.

Coefficient of Determination

The coefficient of determination was used to measure how far CR and DER could explain variations in ROE. The value of R Square showed the proportion of changes in ROE that could be explained by the independent variables in the regression model. A higher R Square value indicated that CR and DER had stronger explanatory power toward ROE. However, the interpretation of R Square still needed to consider the small number of observations and the fact that this study only used two independent variables.

Analytical Scope

The analytical scope of this study was limited to the relationship between CR, DER, and ROE at Bank BTPN during the 2013 to 2023 period. The study did not include external macroeconomic variables such as inflation, interest rates, exchange rates, or regulatory changes. It also did not compare Bank BTPN with other banks. Therefore, the results should be interpreted as an internal financial ratio analysis of Bank BTPN within the observed period. This scope allowed the study to focus clearly on how liquidity and capital structure relate to profitability based on published financial data.

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Result and Discussion

Descriptive Overview of Bank BTPN Financial Ratios

The financial ratio data of Bank BTPN for the 2013 to 2023 period show different movements among liquidity, capital structure, and profitability indicators. Current Ratio (CR) remained relatively stable during the observation period, ranging from 1.17 to 1.23. This pattern indicates that Bank BTPN maintained a consistent short-term liquidity position. Debt to Equity Ratio (DER) declined from 5.99 in 2013 to 3.64 in 2023, indicating a gradual reduction in reliance on debt financing relative to equity. However, Return on Equity (ROE) declined from 22% in 2013 to 6% in 2023. This pattern shows that stronger capital structure and stable liquidity did not automatically lead to higher profitability. Therefore, the statistical analysis was conducted to determine whether CR and DER had a measurable effect on ROE.

Normality Test

The normality test was conducted to determine whether the residuals in the regression model were normally distributed. Based on the One-Sample Kolmogorov-Smirnov test, the Asymp. Sig. value was 0.200. Since this value is greater than 0.05, the residual data can be considered normally distributed. This indicates that the regression model meets the normality assumption. However, because the study uses only 11 observations, the Kolmogorov-Smirnov result should be interpreted carefully. For a small sample size, the Shapiro-Wilk test is generally more sensitive and can be added as a supporting normality test in the final statistical report.

Tablel 1. One-Sample Kolmogorov-Smirnov Test

Indicator	Unstandardized Residual
N	11
Mean	0.0000000
Std. Deviation	1.68615461
Absolute Difference	0.190
Positive Difference	0.190
Negative Difference	-0.184
Test Statistic	0.190
Asymp. Sig. (2-tailed)	0.200

Source: Processed by Researchers, 2025 (SPSS Version 26)

Multicollinearity Test

The multicollinearity test was conducted to ensure that there was no strong correlation between the independent variables. The results show that CR and DER each had a Tolerance value of 0.370 and a VIF value of 2.705. Since the Tolerance value is greater than 0.10 and the VIF value is below 10, the regression model does not indicate multicollinearity. This means that CR and DER can be included together in the regression model without causing serious distortion in the estimation of regression coefficients.

Table 2. Multicollinearity Test Results

Variable	Tolerance	VIF

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Current Ratio (CR)	0.370	2.705
Debt to Equity Ratio (DER)	0.370	2.705

Source: Processed by Researchers, 2025 (SPSS Version 26)

Heteroscedasticity Test

The heteroscedasticity test was conducted using the Glejser test. The results show that the significance value of CR was 0.271, while the significance value of DER was 0.245. Both values are greater than 0.05. Therefore, the regression model does not indicate heteroscedasticity. This means that the residual variance is relatively constant, so the model meets the homoscedasticity assumption.

Table 3. Heteroscedasticity Test Results

Variable	Coefficient B	t	Sig.
Constant	58.044	1.234	0.252
Current Ratio (CR)	-42.792	-1.182	0.271
Debt to Equity Ratio (DER)	-1.161	-1.254	0.245

Source: Processed by Researchers, 2025 (SPSS Version 26)

Autocorrelation Test

The autocorrelation test was conducted using the Durbin-Watson test because the data were arranged in annual time order from 2013 to 2023. The Durbin-Watson value was 2.575. This value does not indicate positive autocorrelation. However, because the sample size is small and the value is above the ideal midpoint of 2, the possibility of weak negative autocorrelation should not be dismissed too quickly. Therefore, the result can be interpreted as acceptable for this regression model, but the interpretation should remain cautious. If the study is revised further, the Durbin-Watson result can be supported with an additional autocorrelation test, such as the Breusch-Godfrey test, to strengthen statistical reliability.

Table 4. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.933	0.870	0.837	1.885	2.575

Source: Processed by Researchers, 2025 (SPSS Version 26)

Multiple Linear Regression Analysis

The multiple linear regression analysis was used to examine the effect of Current Ratio and Debt to Equity Ratio on Return on Equity. Based on the regression output, the constant value was -92.840, the coefficient of CR was 56.579, and the coefficient of DER was 7.980. Therefore, the regression equation is written as follows:

$$Y = -92.840 + 56.579CR + 7.980DER + e$$

This equation means that when CR and DER are assumed constant at zero, ROE has a constant value of -92.840. The CR coefficient of 56.579 indicates a positive relationship between CR and ROE. However, this relationship is not statistically significant because the significance value is 0.378. The DER coefficient of 7.980 indicates a positive relationship between DER and ROE. This relationship is statistically significant because the significance value is 0.001. Therefore, based on the reported SPSS output, DER has a positive and significant effect on

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ROE. The statement that DER has a negative effect must be removed unless the data or regression output is recalculated and produces a negative coefficient.

Table 5. Multiple Linear Regression Test Results

Variable	B	Std. Error	Beta	t	Sig.
Constant	-92.840	78.757		-1.179	0.272
Current Ratio (CR)	56.579	60.599	0.196	0.934	0.378
Debt to Equity Ratio (DER)	7.980	1.551	1.081	5.145	0.001

Source: Processed by Researchers, 2025 (SPSS Version 26)

Coefficient of Determination

The coefficient of determination shows the ability of CR and DER to explain variations in ROE. The R Square value was 0.870, which means that 87.0% of the variation in ROE can be explained by CR and DER. The remaining 13.0% is explained by other variables outside the model, such as asset quality, operational efficiency, net interest margin, credit risk, interest rate changes, inflation, and broader banking market conditions. The Adjusted R Square value of 0.837 also shows that the model has strong explanatory power after adjustment. However, because this study only uses 11 observations, this high explanatory value should be interpreted carefully and should not be overstated.

Partial Hypothesis Test

The partial test was used to examine the individual effect of each independent variable on ROE. The CR variable had a t-count value of 0.934, which was lower than the t-table value of 2.306. The significance value was 0.378, which was greater than 0.05. This means that CR has a positive but insignificant effect on ROE. Therefore, the hypothesis stating that CR has a significant effect on ROE is rejected.

The DER variable had a t-count value of 5.145, which was greater than the t-table value of 2.306. The significance value was 0.001, which was lower than 0.05. This means that DER has a positive and significant effect on ROE. Therefore, the hypothesis stating that DER has a significant effect on ROE is accepted.

Simultaneous Hypothesis Test

The simultaneous test was conducted using the F-test to determine whether CR and DER jointly affect ROE. The result shows that the F-count value was 26.671, which was greater than the F-table value of 4.46. The significance value was 0.000, which was lower than 0.05. This result indicates that CR and DER simultaneously have a significant effect on ROE. Therefore, the regression model is statistically significant and can be used to explain changes in ROE during the observation period.

Table 6. F-Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	189.569	2	94.784	26.671	0.000
Residual	28.431	8	3.554		
Total	218.000	10			

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Source: Processed by Researchers, 2025 (SPSS Version 26)

Based on Table 6, the F-test result shows that the regression model has an F value of 26.671 with a significance value of 0.000. Since the significance value is lower than 0.05, the model is statistically significant. This means that Current Ratio (CR) and Debt to Equity Ratio (DER) simultaneously have a significant effect on Return on Equity (ROE) at Bank BTPN during the 2013 to 2023 period.

The regression sum of squares is 189.569, while the total sum of squares is 218.000. This indicates that most of the variation in ROE can be explained by the two independent variables in the model. Meanwhile, the residual sum of squares is 28.431, which represents the variation in ROE that cannot be explained by CR and DER. Therefore, the F-test confirms that liquidity and capital structure, when tested together, have a meaningful role in explaining changes in Bank BTPN's profitability.

Although the partial test shows that CR does not have a significant individual effect on ROE, the simultaneous test shows that CR and DER together form a significant regression model. This result suggests that DER has a stronger role in the model, while CR provides supporting explanatory contribution. Thus, Bank BTPN's profitability during the study period is more strongly related to the combined condition of liquidity and capital structure than to liquidity alone.

The Strategic Implications of Liquidity and Capital Structure for Bank BTPN's Profitability

The findings of this study carry a clear implication for how bank profitability should be read. Profitability in banking does not emerge merely from the possession of liquid assets or from a mechanically safer capital structure. It emerges from the bank's capacity to transform funding structure, liquidity position, and risk-bearing activity into income that exceeds the cost of funds and operating burdens. This point matters because the objective of this study is to examine how Current Ratio and Debt to Equity Ratio relate to Return on Equity at Bank BTPN. The evidence suggests that the liquidity position has a limited direct role in explaining shareholder return, while the funding structure reflected in DER has a stronger connection with ROE. This does not make liquidity unimportant. It means that liquidity works more as a condition for continuity than as a direct engine of profitability. The banking literature has long warned that profitability depends on a combination of bank-specific factors, market structure, and macroeconomic conditions, not on a single ratio in isolation (Goddard et al., 2004; Athanasoglou et al., 2008).

The first implication concerns liquidity discipline. The insignificant role of Current Ratio in explaining ROE implies that Bank BTPN's liquidity position during the observed period operated more as a protective buffer than as a profit-creating instrument. This is consistent with the logic of bank liquidity management, where liquid assets are necessary to maintain payment capacity, depositor confidence, and operational stability, but they may reduce earnings when they are not converted into productive loans or investments. Berger & Bouwman (2009) show that liquidity creation is central to the economic function of banks, but liquidity creation must be managed alongside capital and risk exposure. Deloof (2003), Eljelly (2004), and Raheman & Nasr (2007) also demonstrate that liquidity and profitability may move in different directions when firms hold excessive working capital or fail to allocate liquid resources efficiently. In the banking context, this tension becomes sharper because liquidity must satisfy prudential requirements while still supporting credit expansion, fee-based income, and asset productivity. Thus, the result should not be read as evidence that liquidity is irrelevant. It should be read as evidence that liquidity, by itself, is insufficient to explain the production of shareholder return.

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This finding challenges a narrow reading of financial safety. Many studies on financial ratios treat a higher liquidity ratio as a sign of stronger financial performance. That assumption is too simple for banking firms. A bank can be liquid and still experience weak profitability if liquid assets remain idle, if credit distribution weakens, if net interest margin narrows, or if operating costs absorb income. Sembiring (2021) defines the Current Ratio as a measure of short-term payment capacity, but payment capacity is not the same as profitability capacity. Pratiwi, et al. (2021) also indicate that profitability ratios need to be understood through how capital generates income, not merely through whether the firm can meet obligations. The studies of Balqish (2020) and Nada & Hasanuh (2021) support this implication because they also found that Current Ratio does not always produce a significant effect on Return on Equity. The same logic appears in broader profitability studies, where liquidity indicators often lose explanatory strength once leverage, asset quality, efficiency, or market conditions enter the model (Dietrich & Wanzenried, 2011; Petria, Capraru, & Ihnatov, 2015; Menicucci & Paolucci, 2016).

The second implication concerns capital structure. The positive and significant relationship between Debt to Equity Ratio and Return on Equity must be interpreted carefully in the banking sector. In non-financial companies, a higher DER often signals higher financial risk because debt creates fixed interest obligations. In banks, however, liabilities are part of the core intermediation mechanism. Banks collect funds, transform them into earning assets, and generate income from the spread between the cost of funds and asset returns. For this reason, leverage can support ROE when the bank uses borrowed or collected funds productively. The relationship between capital and earnings in banking is complex because higher capital can reduce risk but may also lower equity return when leverage declines. Lee & Hsieh (2013) further confirm that the capital and profitability relationship varies across banking systems and depends on risk, efficiency, and regulatory conditions. This study therefore suggests that Bank BTPN's profitability was more sensitive to funding structure than to liquidity variation.

The positive effect of DER should not be celebrated without qualification. It does not mean that banks should increase leverage without restraint. It means that leverage became statistically relevant to ROE within the observed structure of Bank BTPN. The economic meaning is that shareholder return can weaken when a bank reduces debt dependence but fails to replace leverage-supported income with stronger operating efficiency, higher fee income, better credit quality, or improved asset yield. This interpretation is consistent with the capital structure literature, who introduced the logic that financing structure matters under realistic market conditions once taxes, risk, bankruptcy costs, and agency problems are considered. Jensen & Meckling (1976) further show that debt can discipline management, but it can also create risk when financing choices do not align with productive investment opportunities. In banking, this trade-off becomes more institutional because leverage is shaped not only by managerial choice, but also by regulation, deposit structure, capital adequacy rules, and market confidence.

The result also implies that Bank BTPN's decline in profitability cannot be understood only as a failure of liquidity management. It is more plausibly connected to the changing balance between risk reduction and return generation. When DER falls, a bank may look safer from a solvency perspective, but lower leverage can suppress ROE if equity grows faster than earnings or if liabilities are not used effectively to create earning assets. This is why the finding matters for shareholders. ROE is not only a profitability ratio. It is a measure of how effectively the bank turns equity into income. If a bank strengthens its equity base but cannot produce proportional earnings growth, ROE will decline even when the institution appears financially healthier. This argument is supported by Trujillo-Ponce (2013), who found that bank profitability depends on capital, cost efficiency, risk, and macroeconomic conditions, and by

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García-Herrero, Gavilá, and Santabárbara (2009), who showed that bank profitability can weaken when efficiency and asset quality do not support financial expansion.

The discussion also exposes a methodological lesson for banking studies that use conventional corporate ratios. Current Ratio and Debt to Equity Ratio are useful, but they do not carry identical meanings across industries. In manufacturing or retail firms, CR may reflect working capital flexibility, while DER may reflect exposure to external creditors. In banks, the same ratios interact with deposit mobilization, loan creation, regulatory capital, liquidity buffers, and risk-weighted assets. This is why comparisons with coal, automotive, retail, or manufacturing firms must be treated cautiously. Studies by Liza et al. (2022), Susanti and Rohima (2023), Ramadhan and Widodo (2024), Septian & Nasution (2024), Balqish (2020), and Nada & Hasanuh (2021) are useful because they show the inconsistency of CR and DER effects across sectors. Yet their explanatory transfer to banking remains limited. Banking profitability should be discussed with stronger reference to bank-specific literature, such as Pasiouras & Kosmidou (2007), Sufian & Habibullah (2009), Dietrich & Wanzenried (2011), Petria et al. (2015), Tan (2016), and Menicucci & Paolucci (2016), because those studies place profitability within the structure of banking intermediation.

The stronger role of DER also invites a more practical implication for management. Bank BTPN should not frame capital structure policy only as a process of reducing debt or strengthening equity. The more relevant managerial question is whether each component of funding supports productive asset formation and sustainable income. A conservative balance sheet may reduce vulnerability, but conservatism can become costly when it weakens income generation. This is especially important for banks that serve micro, small, pension, and digital banking segments, where growth requires both risk control and scalable revenue channels. If management reduces leverage, it must compensate through stronger net interest margin, better loan quality, higher non-interest income, and disciplined operating costs. Studies by Kosmidou (2008), Saeed (2014), Almaqtari et al. (2019), and Hossain & Ahamed (2021) show that profitability responds to internal bank efficiency, asset use, size, capital strength, and macroeconomic variables. Thus, capital structure should not be managed as a static ratio. It should be managed as an earnings architecture.

The finding also has implications for regulators and investors. For regulators, the study reinforces the need to assess bank health through a balanced view of liquidity, leverage, profitability, and risk quality. A bank with lower DER may appear safer, but it can still face pressure if its return generation weakens. For investors, the study warns against a superficial interpretation of declining leverage. Lower debt dependence can reduce risk, but it can also reduce return when leverage previously supported income creation. This is aligned with the view of Kohlscheen et al. (2018), who argue that bank profitability is shaped by interest margins, credit conditions, and macro-financial structures. It also connects with Saleh & Afifa (2020), who show that credit risk, liquidity risk, and bank capital interact in shaping profitability in emerging markets. A rational investor should therefore examine whether changes in DER come with stronger earnings quality. Without that link, a healthier-looking balance sheet may still produce weaker shareholder value.

The study further implies that the decline of ROE should be examined beyond the two-ratio model. The model identifies the relevance of CR and DER, but it cannot fully explain the banking profit mechanism. ROE in banking depends on net interest margin, loan growth, non-performing loans, cost-to-income ratio, fee income, capital adequacy, loan-to-deposit ratio, digital transformation costs, and macroeconomic pressure. This is why future studies should include bank-specific variables that better capture intermediation quality and operational

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efficiency. Naceur and Goaied (2008), Athanasoglou et al. (2008), Dietrich & Wanzenried (2011), Petria et al. (2015), and Tan (2016) all demonstrate that bank profitability is multidimensional. Ozili (2018) also emphasizes that banking stability and profitability depend on regulatory quality, income structure, and risk conditions. The implication is direct. CR and DER can explain part of the story, but they cannot serve as the full diagnostic framework for bank profitability.

A further implication concerns the interpretation of simultaneity. When CR and DER jointly affect ROE, the proper conclusion is not that both variables carry equal economic weight. The more defensible reading is that liquidity and capital structure jointly define the financial space within which profitability is produced. Liquidity secures continuity. Leverage supplies earning capacity when it is productively deployed. ROE emerges from the interaction between the two, but the managerial priority should follow the stronger economic channel. In this case, capital structure appears more decisive than short-term liquidity. This interpretation is consistent with Goddard et al. (2004), who discuss persistence and determinants of bank profitability, and with Lee & Hsieh (2013), who show that capital effects vary according to banking structure and institutional context. The practical lesson is that financial managers should not treat liquidity and leverage as independent compartments. They should manage both as connected components of profitability strategy.

This study also speaks to the Indonesian banking context, where banks must pursue profitability under prudential regulation, competitive pressure, digital transformation, and changing customer behavior. Bank BTPN's profile makes this issue more relevant because its business orientation includes specific retail and micro-oriented segments, which require careful control of liquidity, credit risk, and operating costs. The implication is that profitability improvement cannot rely only on balance sheet restructuring. It requires a sharper business model capable of converting funds into high-quality earning assets. Research on Indonesian and emerging market banking supports this view. Sufian & Habibullah (2009), Saleh & Afifa (2020), Darma (2024), and Mafaza (2025) show that bank profitability in emerging markets depends on credit risk, liquidity management, capital position, and bank-specific efficiency. Thus, Bank BTPN's profitability challenge should be treated as a strategic transformation issue, not only as an accounting ratio issue.

The contribution of this paper lies in its focus on a single bank over a long observation period. A single-bank design cannot claim broad sectoral generalization, but it offers a focused diagnostic view of one institution's financial trajectory. This matters because pooled banking studies often hide firm-specific patterns behind industry averages. By examining Bank BTPN, this study shows how stable liquidity and reduced leverage can coincide with weakening ROE. That pattern has practical value because it reveals the limits of assuming that a safer balance sheet automatically creates stronger shareholder returns. The studies of Athanasoglou et al. (2008) provide the broader empirical foundation, but this paper sharpens the point at firm level. It suggests that bank-level profitability analysis should not stop at whether a ratio improves. It should ask whether that improvement contributes to income creation.

The study also gives a critical warning to future financial ratio research. Many student and applied finance papers report CR, DER, and ROE mechanically, then interpret significance values without examining economic meaning. That practice weakens the contribution of ratio-based research. This paper should move away from that habit. The central argument is not that one coefficient is significant while another is not. The central argument is that Bank BTPN's profitability depends more on how the bank structures and deploys its funding than on the mere availability of short-term liquid resources. The finding must therefore guide interpretation

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toward capital productivity, intermediation efficiency, and the quality of earnings. This direction is consistent with Menicucci & Paolucci (2016), who show that profitability in European banks depends on capital ratio, bank size, and loan quality, and with Trujillo-Ponce (2013), who stresses the relevance of efficiency and risk in banking profitability.

The policy and managerial message is precise. Bank BTPN should maintain liquidity, but it should not overestimate liquidity as a direct route to higher ROE. It should strengthen capital structure, but it should not treat lower DER as an automatic success if ROE continues to weaken. It should focus on the productive use of funding, the quality of earning assets, credit risk control, operational efficiency, and income diversification. The findings therefore support a balanced profitability strategy. A bank must stay liquid enough to protect trust, leveraged enough to support income creation, capitalized enough to absorb risk, and efficient enough to convert assets into returns. This integrated view is supported by Berger & Bouwman (2009), Dietrich & Wanzenried (2011), Lee & Hsieh (2013), Petria et al. (2015), Tan (2016), and Hossain & Ahamed (2021). Without this integration, financial health may improve on paper while shareholder return continues to fall.

The implication of the paper is that profitability at Bank BTPN during the 2013 to 2023 period should be understood as a question of funding productivity rather than simple liquidity sufficiency. Current Ratio helped describe short-term financial resilience, but it did not define the bank's ability to generate shareholder returns. Debt to Equity Ratio carried stronger explanatory power because banking profitability is closely tied to the ability to use liabilities and equity as productive financial resources. The study therefore contributes to the literature by showing that liquidity and leverage cannot be interpreted through generic corporate logic when the object is a bank. Banking ratios must be read through the logic of intermediation, regulation, risk, and capital productivity. This is the main analytical value of the paper, and it is the direction in which future work on Bank BTPN and Indonesian banking profitability should move.

Conclusion

This study concludes that liquidity and capital structure have different implications for Bank BTPN's profitability during the 2013 to 2023 period. Current Ratio shows a positive but insignificant effect on Return on Equity, which means that the bank's ability to maintain short-term liquidity does not directly improve shareholder returns. This condition indicates that liquidity functions more as a financial safety mechanism than as a direct source of profitability. In contrast, Debt to Equity Ratio has a positive and significant effect on Return on Equity, showing that Bank BTPN's capital structure plays a stronger role in shaping profitability. The simultaneous test also confirms that Current Ratio and Debt to Equity Ratio jointly affect Return on Equity, although the influence is mainly driven by the stronger contribution of Debt-to-Equity Ratio. These findings imply that Bank BTPN needs to maintain liquidity discipline while optimizing its funding structure so that debt and equity can support productive asset allocation, income generation, and sustainable shareholder value.

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