SUMMARY

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High net interest margin is usually interpreted as an indicator of inefficiency which burdens the economy through higher intermediation costs, but it also indicates good income for a bank. Over the study 2007-2015, bank XYZ has experienced a declining net interest margin. Using an error correction model, this study analyzes determinants of the net interest margin in bank XYZ. Results of the analysis found that bank’s specific factors affect net interest margin of bank XYZ. Furthermore, operational cost, credit risk, and merger has significant effects on net interest margin.

Keywords: bank, error correction model, merger dan akuisisi, net interest margin.