

## SUMMARY

NOVRI RULYASRI. Effects of Macroeconomic Conditions on Non-Performing Loan in Retail Segments : an Evidence from the Indonesian Banking. Supervised by NOER AZAM ACHSANI and HETI MULYATI.

The fluctuation of global economy condition in 2014 – 2015 will continuously change up to the end of 2016 and it makes uncertainty for players in industrial sectors of developing countries, including Indonesia. The changing of macroeconomic factors like Gross Domestic Product (GDP) that is represented by Industrial Production Index (IPX), Currency Exchange Rate, BI rate, Consumer Price Index (CPI), and The Total of Money Circulation (M2) that happens in that period of time which also influences the banking industrial sector in Indonesia. Loan provision for Small Medium Enterprises (SMEs), which is generally known by retail segment, is facing a deceleration causing Non Performing Loan (NPL) on that segment. The aim of this research is to analyze effect of macroeconomic factors, such as IPX, currency exchange rate, CPI, BI rate and The Total of Money Supply (M2) on NPL ratio in retail segment.

Research methodology by using times series data on the macroeconomic variables and then it is conducted and analyzed by using *Vector Error Correction Model* (VECM).

The results show that the NPL level in retail segment is influenced from the changing factors or macroeconomy variables. In short time, the varibale of money circulation (M2) will be a macroeconomy variable that has positive and significant impact towards NPL in retail segment, meanwhile in long term, currency exchange rate variable and the total money circulation (M2) will be macroeconomy variables that have positive impacts towards the NPL in retail segment.

Keywords: *macroeconomic factors, banking industry, retail segment, non performing loan*