SUMMARY

MIFTAHUL FARIKA.. Analysis of the Effect of Macro and Micro Variables on Banking Credit/Financing Risk in Indonesia. Supervised by NOER AZAM ACHSANI and SUWINTO JOHAN.

Credit/financing risk is one of the bank’s main business, and also closely related to credit/financing growth. Bad loans have a negative impact on the bank performance, and will increase NPL (Non Performing Loan)/NPF (Non Performing Financing). To improve the performance, especially state-owned banks usually practice the write-off of bad loans. In 2016, write-off value of four state-owned banks was Rp 24.725 billion which increased by Rp 7.082 billion compared to the previous year. The increase of write-off was followed by the increasing of state-owned banks’ NPL last year. Credit/financing risk are usually measured by NPL for conventional banks and NPF for Islamic banks.

The condition of credit/financing growth and credit/financing risk are influenced by internal and external factors. This research was conducted to analyze macroeconomic and microeconomic variables. Macroeconomic variables are GDP, exchange rate, Consumer Price Index, Bank Indonesia Certificate/Bank Indonesia Certificate Sharia, and money supply. For internal factors are Loan to Deposit Ratio (LDR)/Financing to Deposit Ratio (FDR), Capital to Adequacy Ratio (CAR), and Operating Efficiency Ratio. This research used monthly time series data from April 2008 to December 2016. This research used VAR/VECM method with analysis tool using E-views 9 software.

The result showed that in the lending process, conventional banks and Islamic banks need to pay attention to the condition of external factors such as Bank Indonesia Certificate/Bank Indonesia Certificate Sharia, money supply, GDP and inflation (Consumer Price Index) to minimize credit risk. Conventional banks and Islamic banks also need to pay attention to the CAR value as it affects the credit/financing growth and risk barriers. In slow economic condition, conventional banks should be more cautious in lending and pay attention to the existence of Islamic banks as competitors, as displaced commercial risk may occur.

Keywords: credit growth, financing growth, credit risk, financing risk, VAR/VECM