SUMMARY

RISNA EKA PERTIWI. Factors that Influence Non Performing Loan and Non Performing Financing in Indonesian Banking. Supervised by YUSMAN SYAUKAT and DWI RACHMINA.

Credit risk is the risk that occurs when borrower can't pay installment in bank, both principle and interest. A bank's credit risk can be reflected through value of non performing loan (NPL) in conventional bank and non performing financing (NPF) in islamic bank. NPL and NPF can occur due to a number of things, both from the side of the bank and the customer itself, starting from internal and external factors. The purpose of this study is to analyze the influence of bank's external and internal factors to NPL and NPF. The external factors of the bank examined in this study were macroeconomic factors consisting of interest rates, exchange rates and growth of GDP, while bank's internal factor that analyze is LDR/FDR.

Sample of this study is nine conventional bank and three islamic bank, where data used is quarterly data from 2008 to 2017. This study was analyzed using panel data method. The data used in this study were secondary data obtained from related institutions such as Bank Indonesia, Otoritas Jasa Keuangan, Badan Pusat Statistik and other related institutions. The collected data is processed and analyzed using the Panel Data Regression method with the help of EViews 9 software.

The results of this study are that in conventional banks the factors that significantly influence the NPL are interest rates, GDP growth and LDR, where the three factors have a negative relationship to the NPL. Inflation in conventional banks does not have a significant relationship to NPL despite having a negative relationship. In Islamic banks, the factors that significantly influence the NPF are interest rates, exchange rates and GDP growth. Interest rates and exchange rates have a positive relationship to NPF, while GDP growth has a negative relationship to NPF. The factor that does not have a significant relationship with NPF on Islamic banks is the LDR.

From the results of these studies, managerial recommendations were formulated for both the banking and regulators in managing and reducing non-performing loans. For banks, it is expected that improving economic conditions can be utilized properly in increasing lending so as to improve credit quality. Not only that, the increase in interest rates (BI Rate) also needs to be watched out by banks so that banks are right in setting credit interest rates. For regulators, it is hoped that it would be wiser to determine a decision such as interest rates, so that no party would benefit from the decision.

Keywords: growth of GDP, interest rate, non performing loan, non performing financing, panel data