ABSTRACT

Banking industry is particularly vulnerable to credit risk because it involves managing public money played in various forms of investment such as credit provision. The risks need to be managed well so that the bank can still carry out its duties and functions so as not to disrupt the economic activities that trigger the economic crisis. Credit risk used in this study is proxied by Non Performing Loan (NPL). The NPL or collectibility level achieved reflects the effectiveness and efficiency of applying the crediting strategy.

This study aims to examine the effect of Loan to Deposit Ratio (LDR), Capital Adequacy Ratio (CAR), BI Rate, and Bank size to the level of credit risk proxied by Non Performing Loans (NPLs) in Conventional Commercial Banks in the period 2012-2016 by quarter. The data used in this research is obtained from quarterly financial statement data.

The population in this study is the Conventional Commercial Bank. The sample selection technique used is purposive sampling and obtained 10 Conventional Commercial Banks with research period in 2012-2016 quarterly. Data analysis method in this research is panel data regression analysis using Eviews version 9 software.

The results showed that simultaneously Loan to Deposit Ratio (LDR), Capital Adequacy Ratio (CAR), BI rate, and bank size have significant effect to credit risk level. Partially, the Loan to Deposit Ratio (LDR) has no significant effect on the level of credit risk, Capital Adequacy Ratio (CAR) has significant effect to credit risk, BI rate has no significant effect on credit risk and bank size has significant effect to credit risk level .

Based on the result of this research, if conventional farmers want to minimize the level of credit risk, they need to pay attention to management of financial ratio indicators such as CAR by maintaining capital adequacy level and seeking best practice to improve credit quality.

Keywords: Loan to Deposit Ratio (LDR), Capital Adequacy Ratio (CAR), BI rate, and bank size, Non Performing Loan (NPL)