


Bukti Corresponding Determinants of the Level of Credit Risk and Financing Risk: Evidence of Conventional Banks and Islamic Bank in Indonesia

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← Back to Submissions

General

TITLE

Determinants of the Level of Credit Risk and Financing Risk: Evidence of Conventional Banks and Islamic Bank in Indonesia

AUTHOR AND CO-AUTHORS

Nur Andriyani, M.Safar Nasir, Yolanda Oktaviani

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ABSTRACT

This study aims to see the influence of macroeconomic variables and internal bank variables on the level of credit risk in Conventional banks (Non-Performing Loans / NPL) and the level of financing risk in Islamic banks (Non-Performing Financial / NPF). The macroeconomic variables used are economic growth and inflation. Meanwhile, the internal bank variables used are LDR / FDR (Loan to Deposit Ratio / Financing to Deposit Ratio) and Capital Buffer. Quantitative data in the form of a time series was processed using the VAR (Vector Autoregressive) method. Based on the results of the data processing carried out, it can be concluded that the variables of Economic Growth (EG) at lag-1, LDR at lag-1, and Capital Buffer at lag-2 have a significant effect on NPL. Meanwhile, the variable that has a significant effect on NPF is only Economic Growth in lag-1. In addition, judging from the Impulse Response Function (IRF) curve, compared to NPL, NPF tends to be more stable to shocks from the variables used. Researchers recommend Conventional banks to be more selective about the credit provided in connection with the response of NPL to macroeconomic variables, including the shocks that occur. Islamic banks are advised to increase the level of their Capital Buffer in connection with the positive response of the NPF to the shock to the Capital Buffer.

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