

ABSTRACT

This study examines the determinants of Non-Performing Loans (NPL) in Indonesia's commercial bank. As NPL appears in banking system, it brought some drawbacks on the bank itself, some with over NPL will eventually suffer bankruptcy. This study used principal-agent and business cycle as a theory that represent the internal and macro factor. The data used are time series in quarterly data from the period 2009Q1-2019Q4, while the method used was Error Correction Model (ECM). The result of the analysis shows that in the long-run, Net Interest Margin (NIM), Return on Asset (ROA), Money Supply, Growth (GDP) and Inflation have significant effect on NPL. However, in the short-run NIM and Growth does not affect the NPL.

Keywords: non-performing loans (NPL), principle-agent theory, business cycle-theory, time-series, error correction model (ECM)