ABSTRACT

Recent economic development trends coupled with intense competition and deregulation in the Indonesian banking industry have encouraged banks to diversify and offer income to customers. Banking itself has a way of measuring ability that aims to generate profits, and one of the profitability ratios that can be used as a benchmark is the return on assets. In previous studies, diversification and income had different conclusions regarding ROA, some were positive and some were negative, so this study was conducted to analyze the effect of income diversification, asset diversification, interest income, and trading income on return on assets with capitalization ratios, bank size, asset growth, and leverage as control variables in banks in Indonesia that have gone public on the IDX in 2015-2021.
The study uses secondary data from Bloomberg with a sample of Commercial Banks operating in Indonesia and registered on the IDX, using a period of up to seven years, namely 2015 to 2021. From the observations that have been made, a sample of 41 banks is obtained among 48 populations because there are 7 banks that report incomplete finances.
After testing through classical assumption tests and regression by including control variables, it was concluded that the four independent variables, namely income diversification, asset diversification, interest income, and trading income, have a positive and significant effect on return on assets. In addition, with the addition of control variables, the effect of the independent on the dependent increases by 5%.

Keywords: income diversification, asset diversification, interest income, trading income, return on assets, commercial banks, stock exchange.