ABSTRACT

Non-interest income has become a trend in the world of banking. Non-interest income is product diversification undertaken by the bank. This study aims to determine Indonesian banking revenue diversification and revenue diversification determine the relationship of the bank's risk. Based on data reported Loss/Profit bank the period of 2007-2011.

The population in this study is a conventional bank in Indonesia in 2007-2011. Sampling criteria using judgment sampling with banks listed on Bursa Efek Indonesia (BEI), and has published reports in the year 2007 to 2011. Observational study of 100 by taking a sample of 20 banks. In this study using multiple linear regression. The variables of this study are COM, TRAD, ΔTA, LogTA, ROE, and LDR.

The research result showed that the commission (COM) is effecting positively on bank risk. The higher the value of commission the greater the risk of banking. Trading (TRAD) showed that trading is effecting negatively and has no effect on bank risk. The higher the trading the smaller risk borne. In addition, it was found that bank's asset growth and size have no effect on bank risk. Return on equity (ROE)has positive significant effect on the risk of banking. While loan to deposit ratio (LDR) has no effect on bank risk.

Keywords: Product diversification, non interest income, fee based income, trading, bank risk