ABSTRACT

Bad credit or non-performing loans is an important indicator in the financial performance of banks. An increase in bad credit will threaten financial stability and can hinder economic growth in the long term. Previous research studies have shown that bank internal factors have a significant effect on non-performing loans in various countries. According to the related statement, this research study will test Bank Concentration, Income Diversification, Return on Assets, Loan to Deposit Ratio and Equity to Total Assets towards Non-performing Loans in Indonesia which are listed in the Indonesia Stock Exchange (Bursa Efek Indonesia) in 2014-2018 period.

This study uses secondary data from the financial statements which are listed on the Indonesia Stock Exchange for the 2014-2018 period. The population used is conventional banks listed on the Indonesia Stock Exchange for the period 2014 - 2018. The sampling technique used in this study was purposive sampling with a sample of 40 conventional banks. This study uses panel data regression analysis with a random-effect model using the Eviews analysis tool.

The result of this research study shows that Bank Concentration has no effect on the risk of bad credit. Meanwhile, Income Diversification and ROA have a negative and significant effect on the risk of bad credit. LDR and Equity to Total Assets have a positive and significant effect. Based on the results of this study, banks must pay attention to internal factors, especially management performance to reduce the risk of bad credit.

Keywords: *Non-performing Loan*, *Bank Concentration*, *Income Diversification*, *Return on Assets*, *Loan to Deposit Ratio, Equity to Total Assets.*