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ANALYSIS OF THE EFFECT CORPORATE GOVERNANCE OF NON PERFORMING LOANS

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Abstract

This study aims to analyze the effect of corporate governance on problem loans, better known as non-performing loans faced by the banking sector as a risk in lending. The research sample used was 35 banks listed on the Indonesia Stock Exchange during the period 2013-2017. Sampling uses a purposive sampling method, where the method reflects the diversity of the population and the selection of samples chosen according to the criteria set by the study.

The analytical method used in this study uses panel regression where the combined data is cross sectional and time series, and is processed using the SPSS version 21 and Eviews 10. The test is done by descriptive statistical test, outlier test, selection of the best research model with Chow Test and Hausman Test, followed by F Test, t Test, and R-square measurement. The corporate governance variable is divided into 3 parts, namely the corporate governance index, bank specific, and macroeconomics.

Based on the results of testing the corporate governance index variables, namely board size, independent board, director ownership, majority ownership, bank-specific variables namely bank size, loan loss provisions, opportunity diversification, and unemployment macroeconomic variables did not significantly influence the NPL. While one macroeconomic variable in the form of interest rates has a significant positive effect on NPL. The R-square measurement results state that these variables can explain 49.20% of the NPL research

Keywords: *non-performing loan (NPL), corporate governance, corporate governance index, bank-specific, macroeconomic*

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