

# UNIVERSITAS INTERNASIONAL BATAM

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## ***ANALYSIS THE EFFECT OF INTERNAL BANK FACTORS AND EXTERNAL FACTORS ON CREDIT RISK FOR RURAL BANKS IN RIAU PROVINCE THAT LISTED ON FINANCIAL SERVICES AUTHORITY***

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### *Abstract*

*This study aimed to obtain an empirical evidence on the influence of internal bank factors and external factors on credit risk for rural banks in Riau Province that listed on Financial Services Authority. Independent variables used in this study are capital adequacy ratio, firm size, credit growth, loan loss provision, management inefficiency, profitability, interest rate, and gross domestic product growth.*

*Samples from this study using the 34 rural banks in Riau Province that listed on Financial Services Authority within the period 2013-2017 were chosen by using purposive sampling method. Secondary data namely quarterly financial reports of rural banks published on Financial Services Authority are used in this study. Data obtained were tested through panel regression.*

*The results of this study indicated that independent variables are simultaneously have significant impact on dependent variable. The results show that loan loss provision and management inefficiency positively significant on credit risk while capital adequacy ratio, firm size, credit growth, and profitability negatively significant on credit risk. Other variables which is external factors such as interest rate and gross domestic product growth have no significant effect on credit risk.*

**Keywords:** *Credit Risk, Non Performing Loan, Internal Bank Factors, Macroeconomics Factors.*