

TABLE OF CONTENTS

COVER PAGE

TITLE PAGE

PERNYATAAN KEASLIAN KARYA TUGAS AKHIR	ii
PERSETUJUAN DOSEN PEMBIMBING TUGAS AKHIR	iii
PERSETUJUAN PUBLIKASI TUGAS AKHIR	iv
ABSTRACT.....	v
ABSTRAK	vi
PREFACE.....	vii
TABLE OF CONTENTS.....	ix
LIST OF FIGURES.....	xiii
LIST OF TABLES	xiv
LIST OF APPENDICES.....	xv

CHAPTER I INTRODUCTION

1.1 Background of the Study.....	1
1.2 Problem Limitation.....	5
1.3 Problem Formulation.....	6
1.4 Objective of The Research.....	6
1.5 Benefit of The Research.....	7
1.5.1 Theoretical Benefit.....	7
1.5.2 Practical Benefit	7

CHAPTER II LITERATURE REVIEW AND HYPOTHESIS

DEVELOPMENT

2.1 Theoretical Background.....	9
2.1.1 Agency Theory	9
2.1.2 Credit Risk	10
2.1.3 Liquidity Risk.....	11

2.1.4	Bank Profitability	13
2.1.5	Macroeconomic Factors	14
2.1.5.1	Inflation	14
2.1.5.2	Gross-Domestic Product (GDP).....	14
2.1.6	Bank Size.....	15
2.1.7	Interbank Ratio	16
2.1.8	Capitalization Ratio	16
2.1.9	Director Boards	17
2.1.10	Banking Diversification	18
2.1.10.1	Non-Interest Income (NONII).....	18
2.1.10.2	Herfindahl-Hirschmann Index (HHI).....	20
2.2	Previous Research.....	20
2.3	Hypothesis Development	22
2.3.1	Credit Risk and Investment Diversification	22
2.3.2	Liquidity Risk and Investment Diversification	24
2.3.3	Profitability and Investment Diversification	25
2.3.4	Inflation and Investment Diversification	26
2.3.5	GDP and Investment Diversification.....	27
2.3.6	Bank Size and Investment Diversification.....	28
2.3.7	Interbank Ratio and Investment Diversification	29
2.3.8	Capitalization Ratio and Investment Diversification	30
2.3.9	Director Boards and Investment Diversification	32
2.4	Research Model.....	33

CHAPTER III RESEARCH METHODOLOGY

3.1	Research Design.....	34
3.2	Population and Sample.....	34
3.3	Data Collection Method	35
3.4	Operational Variable Definition and Variable Measurement	35
3.4.1	Non-Interest Income	35
3.4.2	The Herfindahl-Hirschmann Index.....	35

3.4.3	Credit Risk	36
3.4.4	Liquidity Risk	36
3.4.5	Return on Assets	37
3.4.6	Inflation Rate	37
3.4.7	GDP	37
3.4.8	Bank Size	38
3.4.9	Interbank Ratio	38
3.4.10	Capitalization Ratio	38
3.4.11	Director Boards	39
3.5	Data Analysis Method	40
3.5.1	Descriptive Statistics	40
3.5.2	Normality Test.....	41
3.5.3	Multicollinearity Test (Pearson’s Correlation Coefficients)	41
3.5.4	Autocorrelation Test	41
3.5.5	Heteroscedasticity Test.....	42
3.5.6	Regression Model Analysis	42
3.5.7	Statistical Test.....	43

CHAPTER IV RESEARCH RESULT AND DISCUSSION

4.1	General View of Conventional Banks in Indonesia	44
4.2	Data Analysis.....	45
4.2.1	Descriptive Statistic	45
4.2.2	Classic Assumption Test.....	50
4.2.2.1	Normality Test.....	51
4.2.2.2	Multicollinearity Test	52
4.2.2.3	Autocorrelation Test	53
4.2.2.4	Heteroscedasticity Test.....	55
4.2.3	Selection of Panel Data Regression Model.....	56
4.2.3.1	The Chow Test	56
4.2.3.2	The Hausman Test	57
4.2.3.3	The Lagrange Multiplier	58

4.2.4	Panel Data Regression Model.....	60
4.2.5	Model Determination Test	61
4.2.5.1	Simultaneous Test (F Test)	62
4.2.5.2	Coefficient of Determination Test	63
4.2.6	Hypothesis Test	65
4.3	Discussion	69
4.3.1	The Effect of Liquidity Risk on Investment Diversification.....	69
4.3.2	The Effect of Credit Risk on Investment Diversification	70
4.3.3	The Effect of Profitability on Investment Diversification	71
4.3.4	The Effect of Inflation on Investment Diversification	73
4.3.5	The Effect of GDP on Investment Diversification	74
4.3.6	The Effect of Bank Size on Investment Diversification	74
4.3.7	The Effect of Interbank Ratio on Investment Diversification.....	75
4.3.8	The Effect of Capitalization Ratio on Investment Diversification ...	76
4.3.9	The Effect of Director Boards' Variables on Investment Diversification	77
 CHAPTER V CONCLUSION		
5.1	Conclusion	79
5.2	Managerial Implications.....	80
5.3	Recommendation.....	81
 REFERENCES		83

LIST OF FIGURES

Figure 1.1	Indonesian Banks Deposits and LDR Ratio	3
Figure 2.1	Research Model	33
Figure 4.1	Normality Test – Model 1	51
Figure 4.2	Normality Test – Model 2	52



LIST OF TABLES

Table 2.1	Previous Research	20
Table 3.1	Definition and Measurement of Variables	39
Table 4.1	Sample Determination	44
Table 4.2	List of Samples	44
Table 4.3	Descriptive Statistics	46
Table 4.4	Multicollinearity Test	52
Table 4.5	Autocorrelation Test – Model 1	54
Table 4.6	Autocorrelation Test – Model 2	54
Table 4.7	Heteroscedasticity Test – Model 1	55
Table 4.8	Heteroscedasticity Test – Model 2	55
Table 4.9	The Chow Test – Model 1	56
Table 4.10	The Chow Test – Model 2	57
Table 4.11	The Hausman Test – Model 1	58
Table 4.12	The Hausman Test – Model 2	58
Table 4.13	The Lagrange Multiplier Test – Model 1	59
Table 4.14	The Lagrange Multiplier Test – Model 2	59
Table 4.15	Simultaneous Test – Model 1	62
Table 4.16	Simultaneous Test – Model 2	63
Table 4.17	Coefficient of Determination Test – Model 1	64
Table 4.18	Coefficient of Determination Test – Model 2	64
Table 4.19	Hypothesis Test	65

LIST OF APPENDICES

Appendix A: Exported Data.....	94
Appendix B: Descriptive Analysis.....	115
Appendix C: Normality Test.....	116
Appendix D: Multicollinearity Test.....	117
Appendix E: Heteroscedasticity Test.....	118
Appendix F: Autocorrelation Test	119
Appendix G: Chow Test.....	120
Appendix H: Hausman Test.....	121
Appendix I: Lagrange Multiplier Test.....	123
Appendix J: Panel Data And Hypothesis Test	124

