ABSTRACT

This study aims to determine the effect of credit risk and liquidity risk to capital adequacy ratio. The theory underlying this research is agency theory. The population is all of the banks listed in the Indonesia Stock Exchange in 2014-2016. The sample selection was done by purposive sampling method with total number of samples counted 32 banks. The independent variable used is the capital adequacy ratio variable, while the dependent variable used is the credit risk variable measured by the Non Performing Loan (NPL) and the liquidity risk variable as measured by the Investing Policy Ratio (IPR). Data analysis was done by using multiple linier regression method with capital adequacy ratio variable as independent variable. The results showed that credit risk variables did not affect the capital adequacy ratio, while the liquidity risk variables affect the capital adequacy ratio.

Keywords: liquidity, credit, capital adequacy ratio