ABSTRACT

Interest spread represents the difference between the loan interest rate and the deposit interest rate, which means the more interest spread that obtained by the banks, it indicates the more of the level of profit that can be achieved by the bank involved.

This study objects to obtain an empirical evidence of the influence of non-performing loan (NPL), loan to deposit ratio (LDR), and inflation to interest spread. The population that used in this research is from a group of state owned banks and foreign exchange commercial bank that listed in Otoritas Jasa Keuangan (OJK) on the year of 2012-2016.

The sample selection technique that used on this study is purposive sampling and it lead to obtain 14 banks in a period of 5 years with 70 samples that were observed. The data analysis model in this research is panel data regression with Eviews 8.0 software.

From this research, the result of the combination between independent variable of NPL, LDR, and inflation is able to be explained by the variation from independent variable that is interest spread equal to 3,645%, and the rest is 96,355% explained by other factors not involved in this research.

The results of this study also shows that independent variables as follows NPL, LDR, and inflation did not significantly affect the interest spread simultaneously. From the partial test result, the result shows that the NPL variable does not have a significant negative effect on the interest spread, the LDR has no significant positive effect on the interest spread, and the inflation does not have a significant negative effect on the interest spread.

***Keywords**:* NPL, LDR, *Inflation, Interest Spread*