ABSTRACT

Good and bad company management can be reflected in the financial performance of a company. Financial ratio analysis is one way of processing and interpreting accounting information that is used to explain certain relationships between one number and another number of a financial statement. One of the performance assessments of a bank can be seen from the resulting profitability. In this study, profitability is proxied by Risk-adjusted Return on Assets (RAROA).

The purpose of this study was to analyze the effect of interest income, non-interest income, and income diversification on the Risk-adjusted Return on Assets (RAROA) in banking companies. The population in this study are banking companies listed on the Indonesia Stock Exchange in 2016-2020. The sample selection technique used purposive sampling and 23 companies were included with a period of 5 years so that 115 samples were observed. The data analysis model in this study is panel data regression using Eviews 9.0 software.

From this study, it was found that the combination of independent variables, namely interest income, non-interest income, and income diversification was able to explain the variation of the dependent variable, namely Risk-Adjusted Return On Assets (RAROA) of 90.71%, and the remaining 9.29% explained by other factors. The results show that simultaneously interest income, non-interest income, and income diversification have a significant effect on Risk-Adjusted Return On Assets (RAROA). Partially, interest income and non-interest income have an effect on Risk-Adjusted Return On Assets (RAROA). Meanwhile, income diversification has no effect on Risk-Adjusted Return On Assets (RAROA).

Keywords: *Interest Income, Non-Interest Income, Income Diversification, Profitability, Risk-adjusted Return on Assets* (RAROA).