

ABSTRACT

Indonesia was once one of the world's producer and exporter of crude oil and natural gas, but with increasing domestic oil and gas needs, Indonesia is no longer able to fulfill them and it now depends on imported crude oil and natural gas. Crude oil and natural gas are an important commodity in driving a country's economy, so its price fluctuations need to be noticed because it is vulnerable to global issues. The bank sector is one of sectors vulnerable to economic factors that can cause bad credit and may have an impact on bank failures.

Therefore, the purpose of this study is to analyze the effect of fluctuations in world crude oil and natural gas price on Non-Performing Loan (NPLs). It also analyzed its effects directly or indirectly through country-specific factors. The object of this study is 33 conventional public banks recorded on the Indonesian Stock Exchange (IDX) for the period 2014-2021.

This study used system-GMM model to analyze the NPL variable as the dependent variable, then the independent variables are the crude oil and natural gas price, previous period's NPL, bank-specific factor and country-specific factors variables.

The results reveal a significant influence of crude oil and natural gas price fluctuations on the NPL. However, the study shows that this impact is indirectly through country-specific factors, with fiscal stance being the main driver.

Therefore, crude oil and natural gas prices, along with economic factors and government policies, need to be taken into account when formulating macroprudential policies to mitigate credit risk and maintain overall financial system stability.

Keywords: bank, crude oil prices, country-specific factors, macroprudential policies, natural gas prices, NPL