

ABSTRACT

The COVID-19 pandemic has caused financial distress to the banking sector and exposed banks to insolvency risk that affects bank's stability. This is due to the decline in banking intermediation activities that threaten the flow of bank income sources. Therefore, this study was made to understand the effect of bank income diversification on bank stability as measured by Z-Score with a sample of conventional commercial banks listed on the Indonesia Stock Exchange from the period Semester I 2019 - Semester II 2021.

The method used in this study was purposive sampling and obtained 20 banks that met the requirements specified for the research variables. Of the 20 companies, 80 research observations were obtained after outlier removal. Data analysis and processing were then conducted using the Ordinary Least Square (OLS) method.

The results found that bank income diversification and non-interest income diversification have a positive and insignificant effect on bank stability during the COVID-19 pandemic. Meanwhile, credit income diversification has a significant negative effect on bank stability. Size as a control variable does not have a significant effect on the relationship between the independent variable and the dependent variable.

Keywords: Bank Income Diversification, Non-interest Income Diversification, Interest Income Diversification, Bank Stability, COVID-19