

# **THE EFFECT OF FOREIGN BANK PENETRATION ON THE BANKING CONCENTRATION AND ITS IMPACT ON FINANCIAL STABILITY IN INDONESIAN BANKING INDUSTRY**

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## **Abstract**

*The purpose of this study was to determine the effect of foreign bank penetration on the concentration of banking and its impact on Financial Stability in the Banking Industry Indonesia. This research is a descriptive research with quantitative approach. Penetration of foreign banks measured by FBA (assets of foreign banks), FBC (foreign bank loans), and FBTPF (third party funds of foreign banks). Banking concentration measured with CR3A, and IHH3A. Financial stability is measured by ZROA. This research used multiple linear regression. Empirical findings showed that FBA and FBC significant effect on CR3A, FBC significant effect on IHH3A. Other findings in this study are the FBA has a direct effect on ZROA. Meanwhile, FBC and FBTPF indirect effect on ZROA through CR3A or through IHH3A, in other words CR3A and IHH3A mediates the relationship between FBC and FBTPF with ZROA. This research is interesting for further study because it is still very little research into the effects of the penetration of foreign banks to the stability of banks with banking concentration as an intervening variable.*

*Keywords: Foreign Bank Penetration, Banking Concentration, Banking Stability, Indonesia*