

Abstract

Return On Assets is one of the instruments that able to measure the ability of banks generate earnings that optimize the use of assets. There are various strategies to increase return on assets including through increased asset growth and asset diversification. This study aims to provide empirical evidence of the effect asset growth on bank profitability which is proxied by return on assets with asset diversification as a mediating variable.

This study uses secondary data as a source of data. The population in this study is banking registered with Otoritas Jasa Keuangan during 2016-2018. The samples used in this study were 102 banks which were selected using purposive sampling. The data obtained were processed using path analysis with SPSS 21 program.

The results showed that asset growth had a positive effect on return on assets. The positive effect of asset growth on asset diversification is also empirically proven through the results of regression testing. This study also provides information that asset diversification is able to mediate the effect of asset growth on return on assets in the banking sample under study.

Keywords: Asset growth, return on assets, asset diversification.