ABSTRACT

Indonesian bank margin is one of the highest in ASEAN. The average bank margin in Indonesia is 5%-6%. It is very high when compared with ASEAN bank margin that is only 2%-3%. Bank margin or commonly called as Net Interest Margin (NIM) on Conventional Bank is ratio between financing income minus financing expenses divided by earning asset. The aims of this study are to analyze the effect of financing risk, BOPO, primary ratio and opportunity cost to bank margin.

The research use purposive sampling method. Purposive sampling method is a sampling method that is based on certain criteria. Sample in this study are four Islamic Banks from 2009 to 2012 period. Data for this study can be obtained from monthly financial reports of Islamic Bank that are published in Bank Indonesia website. Data analysis use multiple linear regression with SPSS 21 software.

Based on data analysis can be concluded that financing risk, BOPO, and primary ratio have positive and significant effect on bank margin, while opportunity cost does not have significant effect on bank margin. Then, this study also shows financing risk, BOPO, primary ratio, and opportunity cost have significant effect together on bank margin.

Keywords: *Bank Margin, Financing Risk, BOPO, Primary Ratio*