ABSTRACT

This research was conducted to examine the effect of Traditional Capital Ratio (TCR) along with its control variables; which are Non-Performing Loan (NPL), Asset Growth, and the Size of Bank toward the Risk. The purpose of this research is to determine how much the influence of Traditional Capital Ratio along with its control variables in predicting risk in the banking companies which are listed in Indonesian Stock Exchange.

The population in this research amounted to 35 banking companies which were listed in Indonesian Stock Exchange in 2007-2011. The sampling techniques are purposive sampling with the characteristic features: (1) Banking Companies which were listed in ISE and published annual financial report in 2007-2011 and, (2) Banking Companies which published annual financial report that contained the whole data and information which were required in variable measurements and data analysis. The data was obtained by publishing Indonesian Capital Market Directory (ICMD 2009-2012) and annual report in 2007-2011. Obtained a sample of 19 companies from 35 banking companies which were listed in Indonesian Stock Exchange. The analysis techniques which were used are multiple regression and hypothesis test using the t-statistic for testing the partial regression coefficients and F-statistics for testing the joint effect with 5% level of confidence. Before being tested by multiple linier regressions, it was tested by the classical assumptions.

The results showed that there was no irregularity in the classical assumptions. It indicates that the available data has been qualified to use the multiple linier regression models. The result of the regression equation is Risk = 0,474 – 4,190TCR + 0,359NPL - 0,15Growth + 0,175Size. The result of the analysis indicated that the independent variable, which was TCR (Traditional Capital Ratio), negatively affects towards Risk. This research also found that the control variables, which were NPL (Non Performing Loan) and Size positively affected towards Risk, whereas Growth negatively affected towards Risk. The results of the regression estimation showed the predictive ability from this model at 12% while the rest, 88% was influenced by other factors outside the model which had not been included yet in this research.

Keyword: *Traditional Capital Ratio, Non Performing Loan, Asset Growth, Size, Risk*