

ABSTRACT

Bank is one of the financial institution which have activities to raise funds from the public in the form of savings and channel them to the public in form of credit or other forms in order to improve the living standard of the people. The purpose of the banking business to make a profitability. The bank profitability is one of the most important indicator in determining the success of a bank and can be used as basis for policy and strategy of the banking system in the period to come. The main purpose of this research is to examine the influence of Equity to Total Assets Ratio (EAR), Operating Expenses to Operating Income (ROA), Loan to Assets Ratio (LAR), Firm size, economic growth, inflation and the volatility ROA on Return On Assets (ROA).

The population of this research are the most commercial banks in Indonesia the period January 2003-February 2012. The priority selection of the sample is by using purposive sampling method with the overall criteria of the monthly financial reports of the most commercial bankings in Indonesia during the observation period January 2003-February 2012 has been published by Bank Indonesia. Totality of the sample which has been used in this study was 110 samples. In this study, the research method is by using descriptive analysis, stationarity test, classical assumption test (test for normality and autocorrelation test), analytical models of the Generalized Autoregressive Conditional Heteroscedasticity in Mean (GARCH-M), hypothesis test (z-statistic test, F-statistics test, and coefficient of determination test (R^2)).

The results of this research found that Equity to Total Assets Ratio (EAR) have a positive and significant effect on Return on Assets (ROA), Operating Expenses to Operating Income (ROA) and Loan to Assets Ratio (LAR) have a negative and significant effect on Return On assets (ROA), Firm size have a positive and significant effect on Return on Assets (ROA), economic growth and inflation have regression coefficients were positive but insignificant Return On Asset (ROA) and volatility ROA have a negative and significant effect on Return On asset (ROA).

Keywords: EAR, BOPO, LAR, Firm size, economic growth, inflation, volatility ROA and ROA.