ABSTRACT

This study aimed to examine effect of operational efficiency (BOPO), credit risk (Non Performing Loan/NPL), market risk (Net Interest Margin/NIM), and capital (Capital Adequacy Ratio/CAR) toward financial performance (Return on Asset/ROA).

The data in this study was collected from Indonesian Banking Directory of 2004-2008. Sampling technique using purposive sampling. The collected sample was 26 banks of 19 domestics and 7 foreign banks. The data is analyzed by using method of multiple linear regression to determine effect of operational efficiency (BOPO), credit risk (NPL), market risk (NIM), and capital (CAR) toward financial performance (ROA) and Chow Test to determine differences of operational efficiency (BOPO), credit risk (NPL), market risk (NIM), and capital (CAR) toward financial performance (ROA) between domestic and foreign banks.

T-test result shows operational efficiency (BOPO) affected negatively significant toward financial performance (ROA) of domestic and foreign banks. Credit risk (NPL) affected negatively significant toward financial performance (ROA) of domestic and foreign banks. Market risk (NIM) affected positively significant toward financial performance (ROA) of domestics and foreign banks. Capital (CAR) affected positively significant toward financial performance (ROA) of domestic and foreign banks. Based of Chow Test results, it concluded that existed different operational efficiency effect (BOPO), credit risk (NPL), market risk (NIM), and capital (CAR) toward financial performance (ROA) between domestic and foreign banks. This study result is hoped to be a consideration for shareholders, government, management, investors, and public community.

Keywords : operational efficiency, credit risk, market risk, capital, financial performance