ABSTRACT

Banking activities always associated with risk. Therefore, banks are required to keep the minimum capital requirements to protect bank capital from the uncertainty of future risk. The purpose of this study is to examine the relationship between Capital Buffer and Risk, the influence of Return On Equity (ROE), Non Performing Loans (NPL), Loans to Total Assets (LOTA), Dividend Payout Ratio (DPR), Bank Size (SIZE) on Capital Buffer (BUFF), and the influence of Non Performing Loans (NPL), standard deviation of Third Party (SDPK), standard deviation of Interest Expense and Foreign Exchange (SBBK), standard deviation of Operating Expense to Operating Income (SBOPO), standard deviation of Capital Adequacy Ratio (SCAR) on Risk (RISK) of Conventional Banks were listed on Bursa Efek Indonesia.

In this study, the selection of the sample is by using purposive sampling method with some specific criteria. The samples used are 16 conventional commercial banks were listed on Bursa Efek Indonesia period 2006-2012. The analysis method is by using descriptive analysis, classical assumption test (Normality Test and Heteroscedasticity Test), simultaneous equation models analysis (Two Stage Least Squares), Hausman Test, hypothesis test (F-statistics Test, t-statistics test, Coefficient of Determination Test).

The results showed that capital buffers are not related simultaneously to risk; Return On Equity (ROE), Loans to Total Assets (LOTA), Bank Size (SIZE) have a negative and significant effect on capital buffer; Non Performing Loans (NPL) has a positive effect but insignificant on capital buffer; Dividend Payout Ratio (DPR) has a negative effect but insignificant on capital buffer; Non Performing Loans (NPL), standard deviation of Third Party (SDPK), standard deviation of Operating Expense to Operating Income (SBOPO) have a negative effect but insignificant on risk; standard deviation of Interest Expense and Foreign Exchange (SBBK) has a positive and significant effect on risk, and standard deviation of Capital Adequacy Ratio has a positive effect but insignificant on risk.

Keywords: Capital Buffer, Risk, ROE, NPL, Loans to Total Assets, DPR, Bank Size, standard deviation of Third Party, standard deviation of Interest Expense and Foreign Exchange, standard deviation of Operating Expense to Operating Income, standard deviation of Capital Adequacy Ratio.