

ABSTRACT

The competition among financial institutions in the era of globalization is tougher than ever. Only efficient banks will win the competition, because efficiency is related to productivity and profitability. Therefore, this research tries to analyze the relation between several banking characteristics and the efficiency score, especially for the banks which earn total assets more than Rp 30 trillion. The reason is the number of efficient banks in this category is decreasing in the period of 2006 – 2007. Motivated by this fact, the objective of this research is to analyse the influence of Bank Size, Non Performing Loan (NPL), Return On Assets (ROA), Capitalization, and Capital Adequacy Ratio (CAR) toward Banking Efficiency in Indonesia.

The criterias of banks used as the samples of this research are Banks in Indonesia which earn total assets more than Rp 30 trillion. The data is based on Banks' Annual Reports during the period of 2008 - 2010. There are 15 banks used as the samples of this research out of 16 banks which earn total assets more than Rp 30 trillion. The efficiency score of individual banks are evaluated using the non-parametric Data Envelopment Analysis (DEA) method. Then, this study performs second-stage analysis which regress the efficiency scores from the DEA upon independent variables (Bank Size, NPL, ROA, Capitalization, and CAR).

The result shows that Bank Size and NPL are found to be significant to influence efficiency with the significance level of 5%; meanwhile, ROA, capitalization and CAR are insignificant with the significance level of 5%.

Kata Kunci: *Bank Size, Non Performing Loan (NPL), Return on Assets (ROA), Kapitalisasi, Capital Adequacy Ratio (CAR), Efisiensi, Data Envelopment Analysis (DEA).*