ABSTRACT

Bank is one of the most important financial institutions in economy. They play a crucial role in the provision of transaction services and the administration of a country's payment system; they are the natural suppliers of liquidity to firms and households; and they are a main distributor for monetary policy. In Indonesia banking industry, bank is defined as the institution which has intermediary function that collects funds from the public in the form of deposits and distributes it to the public in the form of credit and / or other forms in order to improve the society's living standard. A healthy banking system is built by having strong capitalization, so it will encourage customers/ stakeholders' confidence who will help banks to strengthen their capital through retained earnings. Earnings growth is one of indicators of financial health to measure bank's performance; the higher earnings growth indicates that the company's performance is good.

This study aims to analyze the influence of CAR (Capital Adequacy Ratio), EAQ (Earnings Asset Quality), OEOI (Operations Expenses to Operations Income), and LDR (Loan to Deposit Ratio) on estimating the EG (Earnings Growth) in Indonesia Regional Development Banks in 2007-2010. Sampling technique used was purposive sampling by using some criteria, they are; Indonesia Regional Development Banks which reported their financial statements and did not do mergers and acquisitions during this study period. From those criteria, it was found 26 Regional Development Banks which had to be analyzed, thus, there were 104 analyzed data. Analytical techniques used were t-test and multiple regressions.

From the findings of this study showed that the data in this study were normally distributed. Based on multicoliniearity test, heteroscedasticity test, and autocorrelation test, there was no deviation variable from Assumptions Classical test. It meant that the data which were used in this study fulfilled the requirements of using multilinier model. From the analysis, it could be found that CAR and LDR influenced significantly positive towards earnings growth, while OEOI influenced significantly negative towards earnings growth. Whereas, EAQ influenced insignificantly negative towards earnings growth. Finally, it is expected that the management of Indonesia Regional Development Banks have to concern with some finanacial ratios (LDR, OEOI, and CAR) to increase earnings. In the future, Regional Development Banks is expected to be equal to others banks owned by government.

Keywords : Earnings Growth (EG), Capital Adequacy Ratio (CAR), Earnings Asset Quality (EAQ), Operations Expenses to Operations Income (OEOI), Loan to Deposit Ratio (LDR)