

ABSTRACT

In order to define a bank's performance, we may determine it from many aspects such as its profitability. Return on Equity is an indicator for the investors to measure how efficient the profit produced from the equity they've invested. Return on Equity is a financial ratio of Net-Interest After Tax to Equity.

This research analyzes the influences of Operational Cost to Income Ratio, Net Interest Margin, Reserve Requirement, Loan to Deposit Ratio, Producing Assets Reserves, Non-Performing Loan to Return on Equity of go-public banks compared with non go-public in Indonesia over the period from 2007 to 2009. The samples of this research are go-public and non go-public banks in Indonesia which presented financial statements and were profitable over the observation period. There are eighty-one samples consist of twenty-one go-public banks and sixty non go-publics. The analysis technique used in this research is multiple regression.

Based on the classical assumption tests applied which are multicollinearity, heteroskedasticity, and autocorrelation tests, there are no deviated variables found. This shows that the data are qualified to use multiple regression equation. Partially, the test with 5% of significance level results that Operational Cost to Income Ratio, Net Interest Margin, Loan to Deposit Ratio, and Non-Performing Loan are significantly influencing Return on Equity of go-public banks in Indonesia over the period from 2007 to 2009. For non go-publics, there are Operational Cost to Income Ratio, Net Interest Margin, Loan to Deposit Ratio which are significantly influencing Return On Equity. Meanwhile, Reserve Requirement and Producing Assets Reserves are not significantly influencing Return On Equity of both go-public and non go-public banks. The sum square residual results F-counted on Chow Test (2,207) is greater than the F-table (1,96) which indicates that there is a significant influence of Operational Cost to Income Ratio, Net Interest Margin, Reserve Requirement, Loan to Deposit Ratio, Producing Assets Reserves, Non-Performing Loan to Return On Equity of go-public banks compared with non go-publics.

Keywords: Operational Cost to Income Ratio, Net Interest Margin, Reserve Requirement, Loan to Deposit Ratio, Producing Assets Reserves, Non-Performing Loan, Return On Equity.