ABSTRACT

This study aims to analyze the efficiency level of rural banks in the Central Java Province and the factors which affect the level of efficiency during the period of 2014 to 2018. The objects of this research are 232 rural banks operating in the Central Java Province. The method used for measuring the rural banks' efficiency is the data envelopment analysis (DEA). The input variables used in measuring the score of efficiency are savings, interest expense, and operating expenses, while the output variables used in measuring the level of efficiency are loans, interest income, and other operating income. Furthermore, the rural banks' efficiency score is used as the dependent variable to determine the factors which affect the efficiency level of the rural banks, while lnSize (rural banks' asset value), Capital Adequacy Ratio (CAR), Non-Performing Loan (NPL) ratio, Return on Assets (ROA) ratio, and Loan to Deposit Ratio (LDR) are used as independent variables. This study uses tobit regression method for the regression analysis. The results show that lnSize, CAR, ROA ratio, and LDR have a positive effect on the rural banks' efficiency level, while the NPL ratio has a negative effect on the rural banks' efficiency level.

Keywords   :   efficiency, rural banks, data envelopment analysis (DEA), tobit