ABSTRACT

Bank as an intermediate institution allocate funds from and to third parties, the function itself are to be expected running efficiently. The indicator that are set to be standard are efficiency, where the results later could be an important information for the financial condition and management performance. An efficient bank is a bank that processes input and produce optimal output.

The main purpose of this research is to examine efficiency level of listed commercial banks in Indonesia stock exchange and its influences toward stock return. Researchers employ data envelopment analysis to estimate bank's efficiency scores, using data collected from 20 bank samples over 5 years period of time (2009 – 2013). Revenue approach is used in this research to identify input variables such as total interest expenses, total operating expenses and total income as output variable. Pooled least squared (PLS) are applied as regression model to find the influence of efficiencies towards stock return.

Results of efficiencies estimation shows 4 banks are efficient in technical efficiency measures, 9 banks in pure technical efficiency measures, and 4 banks in scale efficiency measure. Lastly we do regression estimation on each efficiency measurement towards stock return, and the results reveal that efficiencies using DEA has no significant effect on stock return.

Keywords : Commercial Banks, Data Envelopment Analysis, Efficiency, Stock Return, Pooled Least Square