ABSTRACT

Indonesia is now entering the free market of Southeast Asia, or we are familiar with the ASEAN Economic Community (AEC). It means that foreign products sold freely in Indonesia and vice versa. This increases competition in Indonesia, the competition has impacts, both negative and positive. The negative impact is when the company in Indonesia may be weakened due to the competitor from foreign country is far more superior in marketing their products in Indonesia, but if we can use the competition as a possibility, the positive thing is the market we will be more wide open.

Banks as financial institutions have an important role in the economic sector. The primary function of banks is to increase economic growth. Good financial performance of banks will be able to support the company in the country and customers both local and foreign customer. It becomes the main reason the author choose mixed bank and foreign bank as the objects of the research. The bank's ability to generate profitability for the survival of the bank can be the indicator of a bank’s financial performance.

This study aims to identify factors influencing the profitability of banks in both the micro-economic and macro-economics. Based on previous research, the authors use factors microeconomic banking as an independent variable, namely capital ratio as measured by Capital Adequacy Ratio (CAR), the ratio of earning assets as measured by Net-performing loans (NPL), the rentability ratio measured by Operating Expense to Operating Income (BOPO), liquidity ratio as measured by Loan to Deposit ratio (LDR), in addition to micro-economics, author uses macroeconomic factors as independent variables are economic growth (GDP) and inflation rate have influence with profitability measured by Return on Assets (ROA) as dependent variable in the Mixed Banks and Foreign Banks in Indonesia.

Data analysis used in this study using a quantitative analytical approach. The quantitative analysis that is used for statistical analysis divided into descriptive and inferential statistics. Both the statistical analysis using Eviews applications that were previously have been processed in excel. Inferential analysis is correlational analysis using multiple linier regression.

Based on the results of data processing, it is known that there are several mixed banks and foreign banks with a bad state and liquidity ratios and rentability ratios has significant negative effect on the profitability of banks mix while economic growth has positive and significant effect on the profitability of mixed banks, the foreign banks only affecting the profitability ratio in Indonesia while the other variables have no effect caused by several factors.

Based on the research results, the bank should perform resource efficiency by reducing excess resources which will reduce operational costs, besides banks are also required to have strong planning to avoid the risk that will happen. Banks should also provide services that can absorb income as mortgage loans when the GDP in Indonesia is increased and increasing fee based income when GDP declined.

Keywords: Bank profitability, Cost Eficiency, Gross Domestic Product