ABSTRACT

Increased business competition in the banking world became one of the reasons that made the increasing use of information technology in the hope of providing competitive advantage that can improve bank performance.

The amount of information technology investment by banks in Indonesia is not a few amount of billions of rupiah that is used to improve the quality of information technology owned. Investments in IT are believed to significantly increase bank profits but, until now there has been no concrete way to measure how much IT investment costs to incur the bank to obtain the desired profit. An example is the productivity paradox that occurs America, very high levels of investment and development of IT in the banking sector lower levels of banking productivity due to lack of manpower who are ready to face too rapid IT.

This study tries to know the impact of the bank's IT investment and its effect on financial performance when viewed from the profitability level of banks listed in Indonesia Stock Exchange (IDX). Dependent variable used is IT investment and dependent variable used is Return on Asset (ROA), Net Profit Margin (NPM), Return on Equity (ROE) and Earning per Share (EPS) based on Farouk (2015).

The result of panel data regression shows that there is no significant relationship between IT investment and ROA, ROE, and EPS except for NPM. The coefficient of IT investment is negative against the financial performance of bank ROA and EPS and is positive for NPM and ROE. The negative coefficient of IT investment indicates that the investment released decreases the financial performance of the bank, and instead the positive coefficient indicates that the IT investment issued improves the financial performance of the bank.

From the question of existing research answered that the influence of IT investment is not significant to all measures of bank financial performance that is ROA, NPM, ROE, and EPS.

Keywords: Information Technology Investment, Financial Performance.