

ABSTRACT

The condition of foreign banks has undergone major changes with the incessantly acquiring and adding capital to national banks. At this time, many national banks have been officially acquired by foreign banks. The acquisition process is one of the efforts made to save the Indonesian economy and to increase capital for national banks. The other reasons for the acquisition of this national bank are for the development of a sound banking system and accelerating bank consolidation in Indonesia

This study aims to find out what are the factors that affect the profitability of foreign banks in Indonesia for the 2016-2020 period, either partially or simultaneously. The independent variables in this study are Capital Adequacy Ratio (CAR), Net Performing Loan (NPL), Operating Income Operating Expenses (BOPO), Net Interest Margin (NIM), and Loan Deposit Ratio (LDR). While the dependent variable in this study is Return on Assets (ROA).

This type of research uses quantitative methods. The population used in this study is a foreign bank located in Indonesia 2016-2020. The number of banks that were sampled were ten foreign banks in Indonesia using the non-probability sampling method, namely purposive sampling with sample criteria: foreign banks located in Indonesia for the 2016-2020 period, foreign banks publishing their financial statements during the 2016-2020 period, 2020, and foreign banks with their financial statements stated in rupiah currency for the period 2016-2020.

The results showed that partially the LDR and CAR variables had no effect on ROA and the NPL, BOPO and NIM variables had no effect on ROA. Meanwhile, simultaneously LDR, CAR, NPL, NIM and BOPO have effect on Return on Assets (ROA).

Bank management pays attention to asset quality management by resolving non-performing credit problems, so that banks are unable to suppress bad loans, because credit is the main factor in poor bank performance. In addition, the bank is also able to expand the market, by increasing credit to get higher interest income.

Keywords: *Return On Asset (ROA), Capital Adequacy Ratio (CAR), Net Performing Loan (NPL), Operating Expenses, Operating Income (BOPO), Net Interest Margin (NIM), dan Loan Deposit Ratio (LDR)*