FINANCIAL INTERMEDIATION EFFICIENCY AND ITS IMPACT ON PROFITABILITY
(STUDY IN STATE SAVING BANK IN INDONESIA)

Author :
Herry Achmad Buchory
Lecturer of EKUITAS Economics College,
Bandung, West Java, Indonesia
Email : achmad_buchory@ekuitas.ac.id
achmad.buchory@gmail.com

Abstract

ABSTRACT. Bank BTN as a state-owned saving bank in Indonesia during the period 2010-2016 has been carrying out financial intermediation function optimally. It can be seen from ratio of loan to deposit ratio (LDR) is high compared with the national banking and other state-owned banks. But the increase in LDR is not followed by an increase in profitability. The low profitability of allegedly caused by the implementation of financial intermediation less efficient due to credit growth, funds structure and credit risk.

The aim of this study is to analyze the determinants of financial intermediation efficiency including credit growth (CG), funds structure and credit risk. And its impact on profitability. Financial intermediation efficiency is measured by net interest margin (NIM), funds structure is measured by ratio time deposits to total third party funds (STPF), credit risk is measured by non performing loans (NPLs) and profitability is measured by return on assets (ROA). The methods used are descriptive and verification methods, with secondary data from financial statements of Bank BTN period 2010 – 2016. The data analysis technique used is multiple linear regression, while hypothesis testing uses T - test to examine the effect of partial independent variables and F - test to examine the effect of independent variables simultaneously. Based on the research results, it is concluded that partially, CG and STPF have positive and significant effect on NIM; while the NPLs have negative effect but not significant on NIM; Simultaneously, STPF, LDR, and NPLs significantly influence NIM with the level of 62.9%, while the remaining 37.1% is influenced by other variables. And NIM has positive and significant effect on ROA with the level of 78.3%, while the remaining 21.7% is influenced by other variables not examined in this study.

KEYWORDS : *credit growth, financial intermediation efficiency, non-performing loans, structure of third party funds, net interest margin*