

SUMMARY

TRI YANTI ENDAH PARAMITHA. Analysis of Liquidity Risk Effect Toward Profitability of State Owned and Foreign Exchange National Private Commercial Banks in Indonesia. Supervised by TONY IRAWAN and TB. NUR AHMAD MAULANA.

The banking industry is an important sector in national development that functions as financial intermediary. The main objective of a company is to prosper the shareholders. To achieve this goal, a company can maximize the generated profitability. In the banking sector, regulating liquidity is one of the important things in maintaining public trust for the bank. For this reason, every operating bank has to maintain its liquidity in an adequate position. In regulating liquidity, the bank strives to maintain liquidity status by reducing idle funds in order to increase the revenue at the lowest risk and meet the need for cash flow.

This research aims to analyze the effect of liquidity risk on the profitability of state-owned banks and national private foreign-exchange commercial banks in Indonesia. Liquidity risk indicators used in this research include the Loan to Deposit Ratio (LDR), liquidity gap and Non-performing Loan (NPL). As for the profitability, the indicator used is Return on Assets (ROA).

The samples used in this research are state-owned banks and national private foreign-exchange commercial banks by obtaining the data from the financial statements of each company in the 2010-2016 period. After passing through the purposive sampling phase, the feasible samples for use include 4 state-owned banks and 8 national private foreign-exchange commercial banks. The analytical method applied in this research is multiple regression analysis using E-views 9 software.

The findings of the research showed that the LDR variable does not affect the profitability of state-owned banks but has a positive and significant effect on the profitability of national private foreign-exchange commercial banks. In addition, the liquidity gap and NPL variables have a negative and significant effect on the profitability of state-owned banks and national private foreign-exchange commercial banks.

Keywords: liquidity gap, loan to deposit ratio, non-performing loan, bank's profitability, liquidity risk

