

ABSTRACT

Banking institution has an important role for economic growth which one of it as an intermediary institution between party that has excess fund and party that needs fund. From its role as a financial intermediary, bank with healthy financial performance is needed to make intermediary function running well. Intermediary problems is not only happen in domestic bank but also foreign bank with speculative activity that cause Rupiah's fluctuation. Since banks are the major source of financing especially in South East Asia, the level of net interest margins is an important policy variable for it to indicates how efficiently banks perform their intermediary roles of collecting savings and allocating fund.

This research has a purpose to provide empirical evident about factors that affect net interest margin, also differences that influence between those factors to net interest margin between domestic banks and foreign banks. Variables that tested are NPL, BOPO, LDR, Size, credit sensitivity of changes in interest rate, credit sensitivity of changes in inflation, credit sensitivity of changes in GDP to net interest margin.

The samples consist of 18 foreign banks and 24 domestic banks. The statistic method used to test on the research hypothesis is regression analysis. The result show that banking financial ratio for BOPO, credit sensitivity of changes in interest rate, credit sensitivity of changes in inflation and credit sensitivity of changes in GDP can predict NIM in domestic banks for 2006-2009 period. NPL, LDR, BOPO, credit sensitivity of changes in interest rate, credit sensitivity of changes in inflation and credit sensitivity of changes in GDP can predict NIM for foreign banks.

Key words : domestic bank, foreign bank, net interest margin