

**THE EFFECT OF MARKET CONCENTRATION AND EQUITY LEVEL ON
BANK PROFITABILITY: A CASE STUDY OF INDONESIAN
COMMERCIAL BANKING INDUSTRY FOR THE YEAR 2007-2013**

By

William
13110123

A thesis submitted to the Faculty of
BUSINESS ADMINISTRATION AND HUMANITIES

in Partial Fulfillment of the Requirements
for the

BACHELOR'S DEGREE
in

INTERNATIONAL BUSINESS ADMINISTRATION



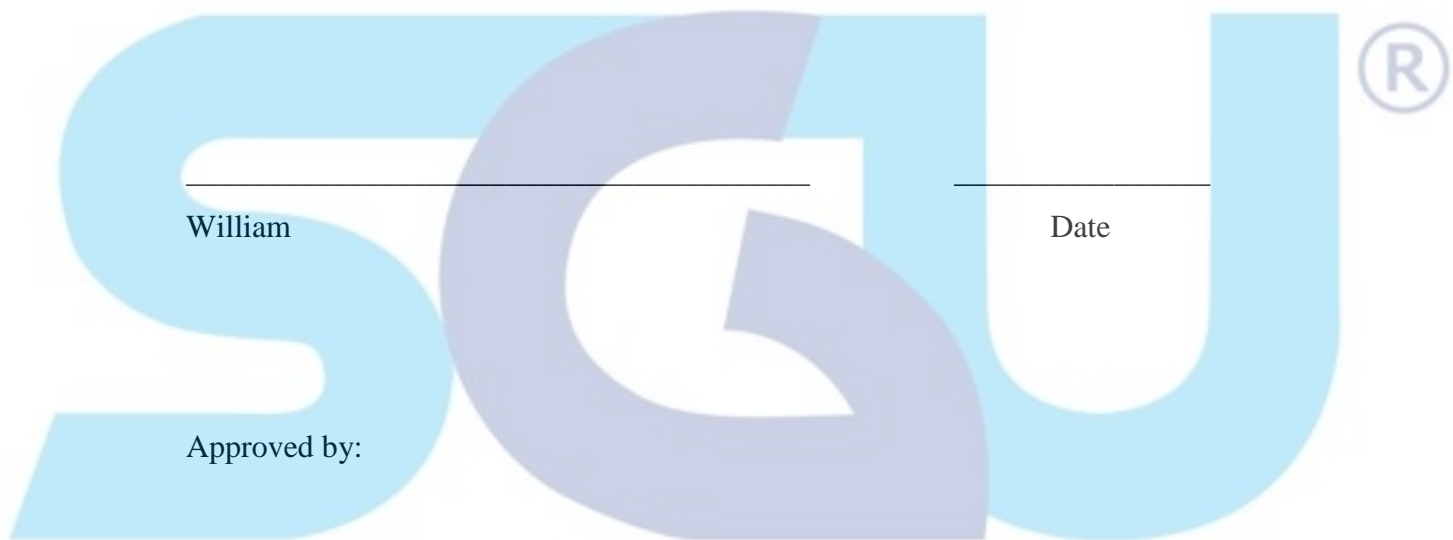
SWISS GERMAN UNIVERSITY
EduTown BSD City
Tangerang 15339
Indonesia

July 2014

Revision after the thesis defense on 18 July 2014

STATEMENT BY THE AUTHOR

I hereby declare that this submission is my own work and to the best of my knowledge, contains no material previously published or written by another person, nor material which to a substantial extent has been accepted for the award of any other degree or diploma at any educational institution, except where due acknowledgement is made in the thesis.



William

Date

Approved by:

Ir. Yosman Bustaman, MBA

Date

Eric Jos Nasution MBA, MA, PhD

Date

WILLIAM

ABSTRACT

**THE EFFECT OF EQUITY LEVEL AND MARKET CONCENTRATION ON
BANK PROFITABILITY: A CASE STUDY OF INDONESIAN COMMERCIAL
BANKING INDUSTRY FOR THE YEAR 2007-2013**

By

William

SWISS GERMAN UNIVERISTY

Bumi Serpong Damai

Ir. Yosman Bustaman, MBA, Advisor

This study is trying to figure out the effect of equity level and market concentration on bank profitability. The data comprise of twenty five publicly listed banks in Indonesia from year 2007 until 2013 and use only secondary sources as data collection method. In this thesis, the analysis is conducted through Eviews to examine the relationship between equity level and market concentration on bank profitability. Through this study, it is also identify the relationship between bank specific and bank external factors on ROA and NIM as an variable to measure bank profitability. At the later phase, the study conclude that there is a a positive relationship between equity level and ROA. Market concentration that proxied using HHI Deposit and HHI Loan in fact doesn't affect ROA and NIM in Indonesia.

Keywords: Bank, Bank Profitability, Return On Assets, Net Interest Margin, Equity Level, Market Concentration, HHI DEPOSIT, HHI LOAN, Eviews

DEDICATION

I dedicate this thesis to my beloved family, Mr. Yosman Bustaman and friends who have continuously supported me.



ACKNOWLEDGMENTS

Author would like to thank God for His blessings and guidance during the thesis process until it can be finished. The author also would like to express her gratitude for those who assisted during the thesis writing:

Author's family, who always give spirits, supports, critics and suggestions during the thesis writing.

Author's advisor, Mr. Yosman Bustaman, who is willing to help and guide so that this study to finished on time.

My friends, who always support during good and bad times. Thank you for bringing happiness and cheer to this hard process.

Author also would like to thank to other people who are not mentioned the names above. This finish point would not be achieved without any contributions from others.

Last but not least, thank to Swiss German University for the opportunity to grow my intellectual skill and also as a person.

SWISS GERMAN UNIVERSITY

TABLE OF CONTENTS

STATEMENT BY THE AUTHOR.....	2
ABSTRACT.....	3
DEDICATION.....	4
ACKNOWLEDGMENTS.....	5
CHAPTER 1 – INTRODUCTION.....	9
1.1 Background.....	9
1.2 Research Question.....	12
1.3 Research Purpose.....	12
1.4 Research Framework.....	13
1.5 Significance Study.....	14
1.6 Scope and Limitation.....	15
1.7 Thesis Structure.....	15
CHAPTER 2 – LITERATURE REVIEW.....	17
2.1 Theory.....	17
2.1.1 Bank Source of income.....	17
2.1.2 Bank Performance Measurement.....	19
2.1.3 Bank Profitability.....	26
2.1.4 Effect of Capital to Profitability.....	32
2.1.5 Market Concentration.....	37
2.2 Previous Study.....	41
CHAPTER 3 – METHODOLOGY.....	43
3.1 Research Process.....	43
3.2 Research Model.....	45
3.3 Research Design Strategy.....	46
3.4 Data Collection Method.....	46
3.5 Time Horizon.....	47
3.6 Sample Data.....	47
3.7 Model and Data Analysis.....	48
3.8 Regression Analysis.....	55
3.9 Hypothesis.....	63
CHAPTER 4 – RESULT & DISCUSSION.....	65
4.1 Industry Profile.....	65
4.2 Descriptive Statistics.....	66
4.3 Comparison of Market Concentration.....	69
4.4 Chi-Square Test.....	70
4.5 Hypothesis Testing.....	71
CHAPTER 5 – CONCLUSION AND RECOMMENDATION.....	81
5.1 Conclusion.....	81
5.2 Recommendation.....	82
5.3 Opportunity for further research.....	82
GLOSSARY.....	84
REFERENCES.....	85
APPENDICES.....	90
APPENDIX A- List of Companies.....	90

APPENDIX B- Data Processed.....	91
CURRICULUM VITAE.....	127

