THE EFFECT OF ELECTRONIC BANKING (E-BANKING) ON FINANCIAL PERFORMANCE AND RISK: EVIDENCE FROM INDONESIAN COMMERCIAL BANKS 2012-2018

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STATEMENT BY THE AUTHOR

I hereby declare that this submission is my own work and to the best of my knowledge, it 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.

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ABSTRACT

THE EFFECT OF ELECTRONIC BANKING (E-BANKING) ON FINANCIAL PERFORMANCE AND RISK: EVIDENCE FROM INDONESIAN COMMERCIAL BANKS 2012-2018

By

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The purpose of this research is to investigate the relationship of each component of E-banking; ATM machines, E-money transactions and Internet Banking transactions towards Bank's Financial Performance and Risk in Indonesian commercial banks. The relationship between E-banking components with Financial Performance and Risk are analyzed individually using panel data. The sample data included 50 of Indonesian commercial banks for the period of 2012-2018. The dependent variable to measure financial performance in this research are ROA & NIM, NPL are used to measure bank's risk. The control variable in this research are Bank size, operating cost and LDR. This research find ATM, E-money and Internet Banking has positive relations toward ROA, but only E-money has significant impact towards ROA. Furthermore, ATM, E-money and Internet Banking has significant positive relationship toward NIM. This indicates the adoption of E-banking leads to a better performance of Indonesian bank. ATM and Internet Banking has significant positive relationship toward NPL; however, E-money has significant negative relationship with NPL. This may be indicating the adoption of E-banking has increase the risk profile of Indonesian commercial bank, except E-money transactions.

Keywords: ATM, E-money, Internet Banking, Financial Performance, Risk

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DEDICATION

I dedicate this works for my parents, my sister, my supportive friends, my best friends, my family and also for my advisor Ir. Yosman Bustaman, M.Buss

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