Abstract

Objective: To examine whether operational performance measurements that are required to be disclosed by bank companies are relevant for investor to value banking firms

Method: This paper uses a sample consisting of 144 firm years within period 2005-2010. The data are extracted from published annual report during the research period. There are 7 working hypotheses that will be test in this research. The data is analyzed using descriptive statistics, correlation matrix, and panel least squares regression model adjusted for heteroscedasticity (White-t test).

Result: The results of this research show that operational performance measures (CAR, NPL, BOPO, and LDR) are not relevant to value banking firms, except for NIM ratio. However, earnings and economic conditions are relevant for valuing banking firms.

Conclusion: The conclusion of this research is that the operational performance measurements which are required by Bank Indonesia do not provide value relevant for investors, except for NIM ratio. Stockholders might assume that all bank companies have follow Bank Indonesia regulation regarding the health assessment of bank performance. NIM ratio shows a significant effect in the valuation as net interest income reflects bank operational result which directly affects net income. However, earning and economic condition still contributes relevant information to investors.

Key words
Value Relevance, Operational Performance Measurements, Bank Financial ratio, Banking Industry, Market to Book Ratio, Earnings
PREFACE

This thesis, entitled “The Value Relevance of Operational Performance Measurements in Bank Industry: Evidence from Indonesian Listed Bank Companies” is the author’s final project in order to fulfill one of the requirements in completing her undergraduate study at Bina Nusantara International University (School of Accounting).

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