

ABSTRACT

This research was aimed to examine environment-strategy-performance paradigm, especially for foreign exchange bank in Indonesia. In specific this research proposed to analyze and examine external and internal environment variable influence consisted of October, 27-1988 policy, February, 28-1991 policy, interest rate, US\$ exchange rate to rupiah, bank size, capital adequacy ratio, and liquidity to credit growth strategy, diversification strategy, and profitability. Furthermore analyze and examine credit growth strategy and diversification strategy to profitability. Then this research was aimed to analyze differences of profitability and risk because October, 27-1988 policy, February, 28-1991 policy, economic crisis as well as diversification strategy selection difference.

This research as causality and comparative research. From the research data, observationally with retrospective approach. The data analyzed as pooling between cross section of all foreign exchange banks in Indonesia in 1985 published the financial report and time series in 1985 to 1996 to examine causality and 1985 to 1999 to examine comparative. To examine environment influence to strategy, environment to profitability, and also strategy to profitability simultaneously used multiple regression analysis. Where as examining influence for each environment variable to each strategy variable, and to profitability as well as influence for each strategy to profitability used path analysis and stepwise regression. To examine profitability and risk because of October, 27-1988 policy, February, 28-1991 policy, economic crisis as well as because of selected diversification strategy selection used Three way anova and Scheffe test.

The results indicate that simultaneously all variables of environment consisted of October, 27-1988 policy, February, 28-1991 policy, interest rate, US\$ exchange rate to rupiah, concentration ratio, capital intensity, bank size, capital adequacy ratio, and liquidity have significant influence to credit growth strategy and diversification strategy. Then two strategy variables simultaneously have significant effect to profitability too. This result support environment-strategy-performance paradigm, despite the value is relative little.

From path analysis and stepwise regression obtained three environment variables that have positive direct effect to credit growth strategy, namely October, 27-1988, February, 28-1991 policies, and capital adequacy ratio. To diversification strategy, February, 28-1991 policy and bank size have positive direct effect and also capital adequacy ratio and liquidity have negative direct effect. To Profitability, obtained February, 28-1991 policy, concentration ratio, and bank size have negative direct effect and also capital adequacy ratio has positive direct effect. From credit growth strategy and diversification strategy only diversification strategy that has significant direct effect to profitability with negative direction.

The profitability and risk difference because October, 27-1988 policy, February, 28-1991 policy, economic crisis is significant. Inter selected diversification strategy also significant. Profitability and risk among the group of time before October, 27-1988 policy, before and after February, 28-1991 dan February, 28-1991 policies have significant difference after crisis for dominant diversification strategy or related.

Keywords : *Environment, credit growth strategy, diversification strategy, profitability and risk, foreign exchange bank in Indonesia.*