The Banks Rating Analysis (The Differences Between The Regional Development Banks And Non-Foreign Exchange Commercial Banks In Indonesia)

Dr. Irwan Ch, S.E., M.M.

Abstract: This study aimed to analyze the bank rating in terms of differences the financial performance between the Regional Development Banks and Non-Foreign Exchange Commercial Banks. It is consist of capital adequacy, asset quality, profitability, Return On Asset (ROA), Return on Equity (ROE) Net Interest Margin (NIM) and Liquidity (Loan to Deposit Ratio). The fulfillment of capital adequacy and asset quality of the bank groups did not differed significantly, while in terms of profitability and liquidity there are significant differences. The earning difference is more likely due to the Regional Development Bank's sources of funds for the implementation of the Local Government Cash Holder function as the Provincial Government and District / City. The difference of liquidity are showed by the performance of Regional Development Banks and the Non-Foreign Exchange Commercial Banks in lending/financing, whereas the two groups of banks on average are still relatively low in lending.

Index Terms: Analysis of the Bank, Indonesian Banking

1. Introduction

Deregulation in June 1983, is a new milestone in Indonesian banking, while it is the first acquitted deregulation to develop products, establish funds and credit interest rates. Previously, Indonesian banks are simply run the government program by Bank Indonesia as the Central Bank, particularly in fundraising through product called *Tabanas* (Savings of National Development) and *Taska* (Savings Term Insurance) as well as government lending program funded by Bank Indonesia Liquidity Credit. Deregulation is important for Indonesian banking, especially when the Indonesian government issued a Policy Package in October 27, 1988, containing the policies in finance, monetary and banking. Policies in the banking sector are the most prominent in the ease of opening the Office of Banks and Non-Bank Financial Institutions (NBFIs). Build a new private bank needs a minimum Rp 20 billion for commercial banks and Rp 100 million for rural banks, while it is relatively light. The launch of Policy Package in October 27, 1988, had changed the Indonesian banking industry.It makes a very rapid growth, both in the number of banks, office network, and business volume. This condition was unable to create a healthy banking industry in facing of rapid environmental change. The economic crisis in Indonesia has given negative impactsin the banking sector. The crisis in the Indonesian banking industry reulted in the closure of many commercial banks, forced mergers and largely rescued by the government through capital injection by issuing recapitalization bonds. It could be seen that in early 1997 we have 239 banks, whereas in the end of 2006 only 130 banks left (Bank Indonesia, 2007). The performance of Indonesia's banking industry at that time was much worse than the condition of banks in some Asian countries. They were also experiencing an economic crisis, such as South Korea, Malaysia, Philippines, and Thailand. The Non-Performing Loan (NPL) of commercial banks reached 50%, the profit rate of the banking industry was at minus 18% and the Capital Adequacy Ratio (CAR) was fell until minus 15% (Hawkins in Febryanti and Zulfadin, 2003). The Government and Bank Indonesia then granting by issuingthe government bonds in the framework of Bank Recapitalization Program, or better known as Recap Bonds.It had been completed on 31 October 2000 with nominal bond issuance per December 31, 2000, amounted to Rp. 430.3 billion for the 37 banks (Bank Indonesia, 2001).

1.1. Problem Statement

This study is aimed to determine the differences of focus financial performance between regional development Banks and Non-Foreign Exchange Commercial Banks.The thesis questions are:

a) Are there any differences in Capital Adequacy Ratio (CAR), Non-Performing Loan (NPL), Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), Operating Expenses to Operating Income, and Loan to Deposit Ratio (LDR) between the Regional Development Banks and Non-Foreign Exchange Commercial Banks;
b) Are there any differences in Capital Adequacy Ratio (CAR) between the Regional Development Banks and Non-Foreign Exchange Commercial Banks;
c) Are there any differences in Non-Performing Loan (NPL) between the Regional Development Banks and Non-Foreign Exchange Commercial Banks;
d) Are there any differences in Return On Assets (ROA) between the Regional Development Banks and Non-Foreign Exchange Commercial Banks;
e) Are there any differences in Return On Equity (ROE) between the Regional Development Banks and Non-Foreign Exchange Commercial Banks;
f) Are there any differences in Net Interest Margin (NIM) between the Regional Development Banks and Non-Foreign Exchange Commercial Banks;

- *Dr. Irwan Ch, S.E., M.M.; Lecturer at Universitas Djuanda, Bogor, Indonesia, e_mail: irwan_ch@yahoo.co.id*

g) Are there any differences in Operating Costs to Operating Income between the Regional Development Banks and Non-Foreign Exchange Commercial Banks ?

1.2. OBJECTIVE
The main objective of this study is to investigate the healthy level and performancesof banks. To achieve it, the following are secondary objectives:

a) To determine the differences in Capital Adequacy Ratio (CAR) Non-Performing Loan (NPL), Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), Operating Expenses to Operating Income, Loan to Deposit Ratio (LDR) between the Regional Development Banks and Non-Foreign Exchange Commercial Banks;
b) To determine the differences in Capital Adequacy Ratio (CAR) between the Regional Development Banks to Non-Foreign Exchange Commercial Banks;
c) To determine the differences in Non-Performing Loan (NPL) between the Regional Development Banks and Non-Foreign Exchange Commercial Banks;
d) To determine the differences in Return On Assets (ROA) between the Regional Development Banks and Non-Foreign Exchange Commercial Banks;
e) To determine the differences in Return On Equity (ROE) between the Regional Development Banks and Non-Foreign Exchange Commercial Banks;
f) To determine the differences in Net Interest Margin (NIM) between the Regional Development Banks and Non-Foreign Exchange Commercial Banks;
g) To determine the differences in Operating Costs to Operating Income between the Regional Development Banks and Non-Foreign Exchange Commercial Banks

2. LITERATURE OVERVIEW

2.1. Definition of Bank
Law No. 7 of 1992 about Banking provides an understanding of the bank. It is an entity that collects funds from the public in the form of savings and distribute them to the public as loan in order to improve the living standard of the people. In addition, Law No. 10 of 1998 regarding to the amendment of Law No. 7 of 1992 on Banking, stated that the Bank is an entity that collects funds from the public in the form of savings and distribute them to the public in the form of credit and/or other forms in order to improve the standard of living of the people. Bank has a function as an intermediary institution. In the other hand, the risks to refund are the responsibility of the bank, and therefore in the credit must meet the standards of prudential principles. The objective of Bank Indonesia is to support the implementation of national development in order to improve equity, economic growth and national stability towards improving the welfare of the masses (Act No.10 of 1998). Banks could be classified into: (1) Commercial Bank: a bank that conducting conventional business and/or based on Sharia principles in its activities providing services in payment traffic (2) Rural Bank is a bank conducting conventional business or based on Sharia principles in its activities without any services in payment traffic. According to Law No. 10 of 1998 that the legal form of the Indonesian Banking for Banks could be: (a) Company Limited, or (b) Cooperative, or (c) Regional Company, while for rural banks could be either (a) Company Limited or (b) Cooperative, or (c) Regional Company, or (d) other forms stipulated by Government Regulation. The legal form of the Representative Office and Branch Office domiciled abroad are following the legal forms headquarters. In addition, commercial banks could be divided into (1) State Owned Bank, Bank majority ownership by the Government of the Republic of Indonesia, (2) Foreign Exchange Commercial Bank, (3) Non-Foreign Exchange Commercial Bank, (4) Regional Development Bank which is majority ownership by the local government, (5) Joint Venture Bank, and (6) Foreign Owned Bank. But in terms of the ownership has changed very significantly marked by foreign ownership in Indonesian commercial banks. This condition indicatesa better stewardship conducted by Bank Indonesia,while it could increase the confidence of foreign investors to invest in domestic banks. In the other hand, it is a challenge to provide a positive contribution to the economy. In the end of 2005, foreigners have share of 45.61% of the total assets of the national banking industry, compared to the government's ownership of 37.97%. In 131 banks in the national banking industry, 41 bank holdings are controlled by foreign investors. Ownership of foreign capital could be grouped into: foreign owned bank branches, joint venture banks and commercial banks (Bank Indonesia, 2005).

2.2. Financial Statements
In accordance to the Accounting Guidelines for Indonesian Banking issued by Bank Indonesia, the objective of financial statements is to provide information about the financial position, performance, changes in equity, cash flow and other information that useful for users in order to make economic decisions.It also used to demonstrate the accountability of upper management. A full set of financial statements consist of the balance sheet, income statement, statement of changes in equity, cash flow statement and notes to the financial statements. Presentation of financial statements must meet the following criteria:

a) The financial statements should present fairly the financial position, financial performance, changes in equity and cash flows in accordance to the disclosure required by the applicable regulations.
b) Assets are presented based on their characteristics in order of liquidity, while liabilities are presented by its maturity.
c) The balancing of transactions should be presented and disclosed separately between the parties related to the parties who are not related. In this case what is meant by a related party is including the parties in accordance with the provisions of Bank Indonesia.
d) An income statement describes the revenues and expenses according to its characteristics, which are grouped in stages (multiple steps) of the main activities of banks and other activities.
e) Notes to the financial statements should be presented in a systematic presentation. It should be correspond to the main component which is an integral part of these financial statements. The information in the notes of financial statements is related to the items in the balance sheet, income statement and statement of cash flows that are giving explanations, both qualitative and quantitative measures, including commitments, contingencies and other transactions.
f) It is not allowed to use the word "most" to describe the part of a number but it should be stated in nominal amount or percentage.

Presentation and classification of items in the financial statements should be consistent between periods unless: (1) a significant change in the nature of banking operations, or (2) the changes permitted by Statement of Financial Accounting Standards (SFAS). When the presentation or classification of items in the financial statements is changed, the presentation of the previous period should be reclassified to ensure comparability, nature, and amount. Additionally, reasons of reclassification should also be disclosed. Presentation of the financial statements is based on the concept of materiality and posts the amount of material, presented separately, while if the amount is immaterial, it could be incorporated along nature or similar functions. The omission or errors in recording (misstatement) the information can influence the decisions taken. Total assets and liabilities presented in the balance sheet should not be offset against liabilities or other assets unless legally justified.The forecast reflects the realization or settlement of the asset or liability. The posts of income and expense should not be offset, except those related to hedge transactions, as well as the assets and liabilities are offset as mentioned above.

2.3. Definition of Performance

According to the Indonesia Institute of Accountants (IAI, in Febryanti and Zulfadin, 2003) the company's performance can be measured by analyzing and evaluating financial statements. Information of financial position and financial performance in the past can often be used as a basis to predict the financial position and performance in the future. Other things that attract the attention of users of financial statements such as the distribution of dividends, wages, the price movement of securities and the company's ability to meet its commitments at maturity. Performance is an important thing to be achieved because it is a reflection of the company's ability to manage and allocate resources. In addition, the principal purpose of performance measurement is to motivate employees to achieve organizational goals.It also aimed to comply with the standards of behavior that were previously set, in order to gain results. Standards of behavior can be either formal management policy or plan as outlined in the budget. Indonesian Banking Accounting Guidelines (Bank Indonesia, 2008) explains that the statements of financial position of banks affected by the economic resources, its financial structure, liquidity, and solvency, also the ability to adapt the environmental changes. This information is useful to predict the ability of the bank in the future to generate cash and cash equivalents, investment needs, the distribution of development results and cash flow, predicting the bank's ability to meet financial commitments at maturity, both short term and long term. Information of financial position is reflected in the balance sheet. Performance reports are bank performance information needed to assess potential changes in economic resources may be controlled in the future. This information is useful to predict the bank's capacity to generate cash flow from existing resources. In addition, this information is useful to formulate the effectiveness of the bank in utilizing resources. Bank performance information is reflected in the income statement. Statement of Changes in Financial Position the information changes in financial position of banks, among others: (1) Changes in cash and cash equivalents for assessing a bank's ability to generate cash flow and cash equivalents. This information is useful to assess the flow of cash and cash equivalents arising from operating activities, investing and financing activities. Information changes in cash and cash equivalents are reflected in the cash flow statement. (2) Changes in equity represents the growth of net assets. This information is useful to determine changes in net assets arising from transactions with shareholders and the amount of gain or loss derived from the activities of the bank. Information changes in equity reflected in the statement of equity changes.

2.4. Previous Studies

Bank as an intermediary institution between parties who have excess funds with the parties that need funds, require a good financial performance, so that the intermediary function can run smoothly. Research on the comparison of the banks performance in ratios of the financial statements of banks was never accomplished before proposed by Febryanti and Zulfadin (2003), among others: research on the comparative level of efficiency of banking industry done by empirical testing of the efficiency level between state owned banks, commercial banks, foreign owned banks and public owned banks. Ratios used in the study are consist of Return on Assets, Profit Margin and Return on Equity. Results showed that the public owned banks have efficiency levels above the average of all banks, while the level of efficiency of state owned banks and commercial banks as a whole is below the average of all banks (Ventje, 1993). In addition, studies have been done with the Indoneisan banking efficiency frontier analisys. The independent variables in the study is the total cost of banking, while the dependent variables are include demand deposits, saving deposits, time deposit, loan, profit ratio per labor and profit per capital ratio. The results showed that the Indonesian banking system in general has become more efficient after deregulation in 1988 (Goeltom, 1997). Research on the comparison of the performance of the banking industry, especially Foreign Exchange Commercial Banks and Non-Foreign Exchange Commercial banks based on Return on Equity, Return on Assets and Loan to Deposit Ratio was also conducted. The results of these studies indicate that there are significant differences between the performance of the foreign exchange banks and non-foreign exchange banks prior to the economic crisis. In other words, foreign exchange banks have performed better than non- foreign exchange banks, (Wijaya, 1998). Febryanti and Zulfadin (2003), examined the differences in performance between the Foreign Exchange Banks with Non-Foreign Exchange Banks in the period of economic crisis. The sample is limited to 30 Foreign Exchange Commercial Banks and Non-Foreign Exchange Commercial Banks to 37 recorded in Bank Indonesia to the analysis period of 2000-2001, while the performance measurement approach used is Return on Assets (ROA), Return on Equity (ROE) and the Loan to deposit Ratio (LDR). Test results show that in 2000 there were no differences in performance between Foreign Exchange Banks and Non-Foreign Exchange Banks.It was seen by the perspective of ROA, ROE, and LDR. This is most likely because Foreign Exchange Banks are not optimally exploit the opportunities profit from the transaction by using foreign currency. Another factor is the amount of non performing loans held by Foreign Exchange Banks due to soaring interest rates of banks. Statistical test results in 2001 also showed that there were no differences in performance between Foreign Exchange Banks and Non- Foreign Exchange Banks based on the ROA and ROE. As for LDR indicator of the results showed that there were significant differences in performance between the

Foreign Exchange Banks and Non-Foreign Exchange Banks. This is due to the improving economic conditions in Indonesia, followed by a decrease in bank interest rates that have a positive impact on the banking sector.

3. METHODOLOGY

The methodology used in this study is to test the hypothesis, which aims to determine whether there are differences in the Indonesian banking financial performance by a group of banks, in particular between the Regional Development Banks and Non-Foreign Exchange Commercial Banks. The object of the research is the Regional Development Banks and Non-Foreign Exchange Commercial Banks operating in Indonesia during the period 2001 to 2005.

3.1. Variable and Measurement

Variables used in this research is based on the financial performance of the Indonesian banking group of banks, especially Regional Development Banks and Non-Foreign Exchange Commercial Banks. The indicators are:

a) Capital, performed with a quantitative approach through an assessment of the adequacy of compliance with the Capital Adequacy Ratio (CAR) or by calculating the Capital Adequacy Ratio of Credit Risk.
b) Asset Quality conducted with a quantitative approach on asset quality factor that is non-performing loans to total earning assets.
c) Earnings, performed with a quantitative approach on Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), Operating Expenses to Operating Income.
d) Liquidity, performed with a quantitative approach on Loan to Deposit Ratio (LDR).

3.2. Definition of Operational Variables

To avoid mistakes of the meaning of the variables used in this study, the limit is based on provisions in Bank Indonesia Circular Letter No. 6/23 / DPNP dated May 31, 2004, which is concerning the Rating System for Commercial Banks. The details of the limits of each variable are as follows:

a) Capital Adequacy Ratio (CAR) of the regulations, which is the ratio between capitals to Risk Weighted Assets. It is guided by the provisions of Bank Indonesia regarding Capital Adequacy Ratio (CAR) applies.
b) Earning Assets problematic is the ratio of non-performing loans to Total Earning Assets. The coverage and quality of components Earning Assets by Bank Indonesia regulation is concerning Earning Assets Quality in force, while Earning Assets problematic is the category Substandard, Doubtful, and Loss;
c) Return on Assets (ROA) is the ratio of profit before tax to average total assets. This is an indicator of the ability of banks to earn profits on a number of assets owned by the bank (Harahap, 1999);
d) Return on Equity (ROE) is the ratio of profit after tax to average core capital. The calculation of core capital is based on the Bank Indonesia regulation on the Obligations Fulfillment Minimum Capital. It is an indicator of the ability of banks to manage the available capital to earn net income (Harahap, 1999);
e) Net Interest Margin (NIM) is the ratio of net interest income to average earning assets. Net interest income is the difference between interest income to interest expense, while earning assets were taken into account is the productive assets that generate interest (interest bearing assets);
f) Operating Expenses compared to Operating Income;
g) Loan to Deposit Ratio (LDR) is the ratio between loans granted to third party funds. Credit is the total loans granted to third parties (excluding loans to other banks), while the Third Party Funds include demand deposits, savings and time deposits (excluding interbank).

The data used in this research is secondary data compiled from the Financial Statements from 2001 until 2005 from the Regional Development Banks (26 banks) and Non-Foreign Exchange Commercial Banks (36 banks). It has been calculated for each bank, namely (1) Capital Adequacy Ratio (CAR), (2) Non-PerformingLoans, (3) Return On Assets (ROA), (4) Return On Equity (ROE), (5) Net Interest Margin (NIM), (6) Operating Expenses compared to Operating Income, (7) Loan to Deposit Ratio (LDR) (Ekofin, 2009). The result of each year (December 31) is averaged, which will be examined next. Before using research data, there should be several stages of testing data that aims to avoid the error.

a) Normality Test, aimed to test whether the data used in the study had a normal distribution or not. It is good if it has a normal or near-normal distribution. Kolmogorov-smirnov test is one of them, which is aimed to test the alignment (normality) / goodness of fit test Chi-Square on the data that would be used;
b) Outliers are observations on the data that has unique characteristics which look very different from other observations and appeared in form of extreme value, either for a single variable or variables combination.Evaluation of the presence of outliers could be done by determining the threshold that would be categorized as outliers by converting the value of research data into standard scores or commonly called the z - score, which has an average of zero with a standard deviation of one. If it values has been stated in the standard form (z - score), then the ratio between the value could easily be done. Guidelines for the evaluation is the threshold value of z - scores in the range of 3 to 4 (Hair et all in Ferdinand, 2002).

Furthermore, based on research data that has been through the test mentioned above, a hypothetical test conducted as follows:

H0 There is no significant difference on the Capital Adequacy Ratio (CAR), Non Performing Loan (NPL), Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), Operating Expenses to Operating Income, Loan to Deposit Ratio (LDR) between the Regional Development Banks and Non-Foreign Exchange Commercial Banks;

H1.1. There are significant differences on the Capital Adequacy Ratio (CAR) between the Regional Development Banks to Non-Foreign Exchange Commercial Banks;

H1.2. There are significant differences on Non-Performing Loan (NPL) between the Regional Development Banks and Non-Foreign Exchange Commercial Banks;

H1.3. There are significant differences on Return On Assets (ROA) between the Regional Development Banks and Non-Foreign Exchange Commercial Banks.
H1.4. There are significant differences on Return On Equity (ROE) between the Regional Development Banks and Non-Foreign Exchange Commercial Banks.
H1.5. There are significant differences on Net Interest Margin (NIM) between the Regional Development Banks and Non-Foreign Exchange Commercial Banks
H1.6. There are significant differences on the Operating Costs to Operating Income of Regional Development Banks and Non-Foreign Exchange Commercial Banks
H1.7. There are significant differences on the Loan to Deposit Ratio (LDR) between the Regional Development Banks andNon-Foreign Exchange Commercial Banks

Tests carried out with different test hypotheses t-test are to determine whether two samples were not related to having an average value different. Different t-test was performed by comparing the difference between the two average values with a standard error of the difference in the average of two samples (Ghozali, 2001). Data processing is carried out with the help of a computer (SPSS). In proving the hypothesis, according to Ghozali (2001), it must has conducted the population variance assumption test whether two samples (equal variance assumed) or different (equal variance not assumed) to see the value Levene test. How to determine whether the population variance is identical with the hypothesis or not are as follows:

HO: Variance population profitability ratio consist of Return On Asset (ROA), Return on Equity (ROE), Net Interest Margin (NIM) and Operating Expenses to Operating Income of Regional Development Banks to Non-Foreign Exchange Commercial Banks are the same.

HA: Variance population profitability ratio consisting of Return On Asset (ROA), Return on Equity (ROE), Net Interest Margin (NIM) and Operating Expenses to Operating Income of Regional Development Banks to Non-Foreign Exchange Commercial Banks are different.

Decision-making:
If the probability > 0.05, HO can not be denied, so the variance is the same. If the probability <0.05, then HO rejected, so the variance was different.

4. Analisysis And Discussions

4.1. An Overview of Research Object
This study uses secondary data and statistics on all variables

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
CAR	62	-16.26%	162.65%	25.5983%	28.8592%	832.853
NPL	62	.34%	85.55%	5.5027%	11.4202%	130.421
ROA	62	-2.75%	5.12%	1.8740%	1.6457%	2.708
ROE	62	-54.12%	53.62%	18.9298%	18.8401%	354.951
NIM	62	1.98%	17.76%	7.1870%	3.0149%	9.090
OEOII	62	43.47%	121.00%	69.3256%	14.0311%	196.873
LDR	62	.1414	1.3208	.628853	.224173	5.025E-02
Valid N (listwise)	62					

The amount of data used in this study were 62 (n = 62) which is the average of each indicator of financial performance Regional Development Banks and Non-Foreign Exchange Commercial Banks for each period ended December 31, 2001, and 2005 (in average).

4.2. Testing Data Research
As stated earlier, this studies need to test stages of data in aiming to avoid mistakes, include:

a) Normality Test conducted by Kolmogorov Smirnov with the results of the calculation as follows:

One-Sample Kolmogorov-Smirnov Test

		CAR	NPL	ROA	ROE	NIM	BOPO	LDR
N		62	62	62	62	62	62	62
Normal Parameters[a,b]	Mean	25.5983%	5.5027%	1.8740%	18.9298%	7.1870%	69.3256%	.628853
	Std. Deviation	28.8592%	11.4202%	1.6457%	18.8401%	3.0149%	14.0311%	.224173
Most Extreme Differences	Absolute	.332	.326	.068	.097	.084	.112	.073
	Positive	.332	.316	.046	.095	.084	.112	.057
	Negative	-.287	-.326	-.068	-.097	-.061	-.061	-.073
Kolmogorov-Smirnov Z		2.615	2.564	.538	.765	.665	.885	.572
Asymp. Sig. (2-tailed)		.066	.061	.935	.603	.768	.413	.899

a. Test distribution is Normal.

b. Calculated from data.

Kolmogorov-smirnov test results showed asymptotic Significance (two-sided) for all financial indicatorsused no significant or probability value well above 0.05 or 5.00% so it can be concluded that all the data is normally distributed

b) Outlier had run by converting the entire value of research data into standard scores (z-score) which having an average value of zero and a standard deviation of zero. Based on the calculation of z-score on each indicator of the performance of Regional Development Banks and Non-Foreign Exchange Commercial Banks, there was no result exceeds 3, so it could be concluded that the data is not contained univariate outlier because the threshold of the z-score is in the range 3 to 4 (Hair et al in Ferdinand, 2002).

4.3. Results Prove Hypothesis
As a proof of the hypothesis upfront, it is necessary to do the test Beda t-test with SPSS version 10.5 with the following results:

Group Statistics

	Kelompok Bank	N	Mean	Std. Deviation	Std. Error Mean
NPL	Regional Development Banks	26	3.0048%	2.6903%	.5276%
	Non-Foreign Exchange Commercial Banks	36	7.3067%	14.6340%	2.4390%
ROA	Bank Pembangunan Daerah	26	2.8961%	.9922%	.1946%
	Non-Foreign Exchange Commercial Banks	36	1.1358%	1.6372%	.2729%
ROE	Regional Development Banks	26	32.3866%	11.5909%	2.2732%
	Non-Foreign Exchange Commercial Banks	36	9.2110%	17.0584%	2.8431%
NIM	Regional Development Banks	26	8.8412%	2.1927%	.4300%
	Non-Foreign Exchange Commercial Banks	36	5.9923%	2.9845%	.4974%
OEOI	Regional Development Banks	26	59.7466%	6.7200%	1.3179%
	Non-Foreign Exchange Commercial Banks	36	76.2439%	13.9094%	2.3182%
LDR	Regional Development Banks	26	.527800	.186762	3.66E-02
	Non-Foreign Exchange Commercial Banks	36	.701836	.222724	3.71E-02
CAR	Regional Development Banks	26	19.6531%	4.8237%	.9460%
	Non-Foreign Exchange Commercial Banks	36	29.8921%	37.2787%	6.2131%

Based on the above statistics, it could be explained as follows:

a) There are differences in the average Capital Adequacy Ratio (CAR) in absolute terms, which are Regional Development Banks amounted to 19.65%, while for Non-Foreign Exchange Commercial Banks amounted to 29.89%. It showed that the CAR of Non-Foreign Exchange Commercial Banks are much better than the Regional Development Banks, although both are still above the minimum CAR provisions regulator (Bank Indonesia) amounted to 12.00%.

b) There are differences in the average non-performing loan (NPL) in absolute terms, which are Regional Development Banks 3.00%, while for Non-Foreign Exchange Commercial Banks amounted to 7.34%.It indicates that the Regional Development Banks asset quality is much better than the Non-Foreign Exchange Commercial Banks, even above of the Bank Indonesia regulation tolerance threshold of 5%;

c) There are differences in the average return on assets (ROA) in absolute terms, which are the Regional Development Banks of 2.90%, while for Non-Foreign Exchange Commercial Banks to 1.14%. It shows that ROA Regional Development Banks are much better than Non-Foreign Exchange Commercial Banks and in line with its asset quality;

d) There are differences in the average return on assets (ROE) in absolute terms, which are Regional Development Banks amounted to 32.39%, while for Non-Foreign Exchange Commercial Banks of 9.21%. It indicates that the Regional Development Banks ROE is much better than Non-Foreign Exchange Commercial Banks and in line with its asset quality;

e) There are differences in the average net interest margin (NIM) in absolute terms, which are Regional Development Banks amounted to 8.84%, while for Non-Foreign Exchange Commercial Banks amounted to 5.99%. It shows that the Net Interest Margin (NIM) Regional Development Banks are much better than Non Commercial Foreign Exchange Banks and in line with its asset;

f) There are differences in the average value of Operating Costs Operating Income (OEIO) in absolute terms, which are Regional Development Banks amounted to 59.75%, while for Non-Foreign Exchange Commercial Banks amounted to 76.24%. It indicates that the value Operating Expenses Operating Income (ROA) Regional Development Banks are much better than Non-Foreign Exchange Commercial Banks and this is in line with its asset quality;

g) There are differences in the average loan to deposit ratio (LDR) in absolute terms, which are Regional Development Banks amounted to 52.78%, while for Non-Foreign Exchange Commercial Banks sebesar 70.18%. It indicates that the Loan to Deposit Ratio (LDR) Non-Foreign Exchange Commercial Banks better than the Regional Development Banks, meaning Non-Foreign Exchange Commercial Banks more aggressive / expansive in its intermediary function. There are differences in the average value of Operating Costs Operating Income (OEIO) in absolute terms, which are Regional Development Banks amounted to 59.75%, while for Non-Foreign Exchange Commercial Banks amounted to 76.24%. This indicates that the value Operating Expenses Operating Income (ROA) Regional Development Banks are much better than Non-Foreign Exchange Commercial Banks and this is in line with its asset quality.

Based on different test t-test with independent samples test results are as follows:

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means					95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
NPL	Equal variances assumed	3.624	.062	-1.478	60	.145	-4.3019%	2.9111%	-10.125%	1.5212%
	Equal variances not assumed			-1.724	38.235	.093	-4.3019%	2.4954%	-9.3526%	.7488%
ROA	Equal variances assumed	2.140	.149	4.868	60	.000	1.7604%	.3616%	1.0371%	2.4836%
	Equal variances not assumed			5.253	58.476	.000	1.7604%	.3351%	1.0896%	2.4311%
ROE	Equal variances assumed	.085	.771	5.994	60	.000	23.1756%	3.8667%	15.4410%	30.9103%
	Equal variances not assumed			6.367	59.825	.000	23.1756%	3.6401%	15.8939%	30.4574%
NIM	Equal variances assumed	.553	.460	4.125	60	.000	2.8488%	.6906%	1.4675%	4.2302%
	Equal variances not assumed			4.333	59.970	.000	2.8488%	.6575%	1.5335%	4.1641%
BOPO	Equal variances assumed	3.254	.076	-5.586	60	.000	-16.4973%	2.9533%	-22.405%	-10.590%
	Equal variances not assumed			-6.186	53.461	.000	-16.4973%	2.6667%	-21.845%	-11.150%
LDR	Equal variances assumed	.186	.668	-3.243	60	.002	-.174036	5.366E-02	-.281373	-6.7E-02
	Equal variances not assumed			-3.337	58.584	.001	-.174036	5.215E-02	-.278401	-7.0E-02
CAR	Equal variances assumed	10.996	.002	-1.389	60	.170	-10.2390%	7.3716%	-24.984%	4.5063%
	Equal variances not assumed			-1.629	36.614	.112	-10.2390%	6.2847%	-22.978%	2.4996%

Further proof of the hypothesis can be described as follows:

H1.1. There are significant differences on the Capital Adequacy Ratio (CAR or CAR) between the Regional Development Banks and Non-Foreign Exchange Commercial Banks. Capital Adequacy Ratio (CAR) calculated F value of 10.966 and a probability level of significance 0.002 or less than 0.05,it can be concluded that it has different variance. By *t-test* using equel variances not assumed that the value -1629 with a probability level of significance 0.112 or greater than 0.05 (two tail), so that the difference is not statistically significant or relatively equal;

H1.2. There are significant differences on Non-Performing Loan (NPL) between the Regional Development Banks and Non-Foreign Exchange Commercial Banks. Non-Performing Loan (NPL) calculated F value of 3624 with a probability level of significance 0.062 or greater than 0.05, it can be concluded that it has the same variance. By *t-test* using equel variances not assumed that the value -1.478 with a probability level of significance 0.145 or greater than 0.05 (two tail), so that the difference is not statistically significant or relatively equal;

H1.3. There are significant differences on Return On Assets (ROA) between the Regional Development Banks and Non-Foreign Exchange Commercial Banks. Return On Assets (ROA) calculated F value of 2,140 with a probability level of significance 0.149 or greater than 0.05, it can be concludedthat it hasthe same variance, By *t-test*equal variances not assumed that the value 4.868 with a probability level of significance 0.000 or less than 0.05 (two tail), so statistically significant difference;

H1.4. There are significant differences on Return on Equity (ROE) between the Regional Development Banks and Non-Foreign Exchange Commercial Banks. Return On Equity (ROE) calculated F value of 0.085 with a probability level of significance 0.771 or greater than 0.05.It can be concluded that it has the same variance., By*t-test*equal variances not assumed that the value 5.994 with a probability level of significance 0.000 or less than 0.05 (two tail), so statistically significant difference;

H1.5. There are significant differences on the Net Interest Margin (NIM) of the Regional Development Banks and Non-Foreign Exchange Commercial Banks. Net Interest Margin (NIM) calculated F value of 0.553 with a probability level of significance 0.460 or greater than 0.05,it can be concluded that it has the same variance. By *t-test*equalvariances not assumed that the value4.125 with a probability level of significance 0.000 or less than 0.05 (two tail), so statistically significant difference;

H1.6. There are significant differences with the Operating Expenses Operating Income (ROA) between the Regional Development Banks and Non-Foreign Exchange Commercial Banks. Operating costs compared to Operating Income (ROA) calculated F value of 3.254 with a probability level of 0.076 or greater than 0.05, it can be concluded that it has the same variance. By *t-test*equalvariances not assumed that the value -5.586 with a probability level of significance 0.000 or less than 0.05 (two tail), so statistically significant difference;

H1.7. There are significant differences on the Loan to Deposit Ratio (LDR) between the Regional Development Banks and Non-Foreign Exchange Commercial Banks Loan to Deposit Ratio (LDR) calculated F value of 0186 with a probability level of 0.668 or greater than 0.05,it can be concluded that it has the same variance.By *t-test* equal variances not assumed that the value-3.243 with a probability level of significance 0.000 or less than 0.05 (two tail), so statistically significant difference;

5. Conclusions and Recommendations

5.1. Conclusions

a) The Average of Capital Adequacy Ratio (CAR) of the Regional Development Banks and Non-Foreign Exchange Commercial Banksare relatively similar, although in absolute terms represents the difference. This suggests that the ability of the two groups of banks in capital formation is relatively the same;

b) The average of non-performing loan (NPL) shows the difference was not significant or relatively the same. This demonstrates the ability of the Regional Development Banks and Non-Foreign Exchange Commercial Banks in credit risk management is relatively the same;

c) The Average Return on Assets (ROA) are differed significantly between the Regional Development Banks and Non-Foreign Exchange Commercial Banks. Relative to the average absolute Return On Assets (ROA),Regional Development Banks is better than Non-Foreign Exchange Commercial Banks.It is likely that the source of funding Regional Development Banks are less than Non-Foreign Exchange Commercial Banks, where the Regional Development Banks are Cash Holder Government Provincial and District / City, so the cost of funds is relatively lower.

d) The average of Return On Equity (ROE) are differed significantly between the Regional Development Banks and Non-Foreign Exchange Commercial Banks. This is in line with the difference Return On Assets (ROA), while the Capital Adequacy Ratio (CAR) are relatively the same. It causedby the occurrence of the source of funds is the Regional Development Banks are less than Non-Foreign Exchange Commercial Banks, where the Regional Development Banks Cash Holder Provincial Government and District / City, so the cost of funds is relatively lower.

e) The Average of Net Interest Margin (NIM) are differed significantly between the Regional Development Banks and National Private Banks - Non-Foreign Exchange. This is in line with the average absolute Return On Assets (ROA) of Regional Development Bankswhere it is better than Non-Foreign Exchange Commercial Banks.It is likely that the source of funds Regional Development Banks are less than the Non-Foreign Exchange Commercial Banks.

f) The Average of Operating Costs compared to Operating Income (OEOI) are differed significantly between the Regional Development Banks and Non-Foreign Exchange Commercial Banks. This suggests that the source of funds for Regional Development Banks is much lower than Non-Foreign Exchange Commercial Banks.It caused by the roleof the Regional Development Banks as Cash Holder Provincial Government and District / City, so the cost of funds is relatively lower;

g) The average of Loan to Deposit Ratio (LDR) are differed significantly between the Regional Development Banks and Non-Foreign Exchange Commercial Banks,but the average absolute Loan to Deposit Ratio (LDR) of Non-Foreign Exchange Commercial Banks are relatively better (higher) than the Regional Development Banks.This indicates that the Non-Foreign Exchange Commercial Banks are more aggressive /expansive in lending, although the level of prudence are relatively low because of Non Performing Loan (NPL) is higher than the Regional Development Banks.

5.2. Recommendations

a) Capital Adequacy Ratio (CAR) Regional Development Banks and Non-Foreign Exchange Commercial Banks the average absolute still relatively high compared with the provisions of the regulator (Bank Indonesia) is equal to 12%. This is certainly still safe, but the two groups of banks should be cautious and alert because KPPM or CAR can be eroded by high non-performing loan (NPL) or slow profit growth while the asset continues to increase;

b) Non-Performing Loan (NPL) and the Regional Development Banks Non-Foreign Exchange Commercial Banks on average are relatively good. absolute because it is still far below the regulatory provisions (Bank Indonesia) is a maximum of 5.00%. In the future, it should be more rigorous in applying prudential principles in the management of credit risk, because the business environment are rapidly changing;

c) Return on Assets (ROA), Return on Equity (ROE) and Net Interest Margin (NIM) Regional Development Banksis better than Non-Foreign Exchange Commercial Banks, but the Regional Development Banks should improve the management of productive assets and sources of funding that relatively inexpensive. The fund management cost as Cash Holder Provincial Government, District / Municipal at a time may not be a monopoly anymore;

d) Operating Costs with Operating Income (ROA) of Regional Development Banksis better than Non-Foreign Exchange Commercial Banks. This should be a major concern of both groups of banks, mainly by increasing the volume of business, because the main revenue derived from the difference between interest income bank loans with interest costs of funds (spread);

e) Loan to Deposit Ratio (LDR) of Non-Foreign Exchange Commercial Banks higher than the Regional Development Banks, but both groups of these banks should increase lending because the average absolute are still too low. This can reduce idle funds and increase lending must also consider prudential principles.

References

[1] Febryanti, Anita and Rahadian Zulfadin (2003) "Performance Analysis of Foreign Exchange Banks and Non-Foreign Exchange Banks in Indonesia", Journal of Economic Analysis and Finance, Volume 7, Number 4, Jakarta

[2] Ferdinand, Augusty (1999), Structural Equation Modeling in Management Research, 2nd Edition, Semarang, Agency Publisher Faculty of Economics, University of Diponegoro

[3] Ghozali, Priest (1999), Applications Multivariate Analysis with SPSS Program, Matter to 4, Semarang, Diponegoro University Publishers Agency

[4] Harahap, Sofyan Safrie (1999), Critical Analysis of Financial Statements, First Edition, Jakarta, King Grafindo Persada.

[5] The Republic of Indonesia, the Law of the Republic of Indonesia Number 10 of 1998 on the Amendment of Law Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Year 1998 Number 182, Supplement to State Gazette No. 3790)

[6] _____, Law of the Republic of Indonesia Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Year 1992 Number 31, Additional State Gazette No. 3472)

[7] The Bank of Indonesia, the 2001 Annual Report, available: http://www.bi.go.id/id/publikasi/laporan-tahunan/bi/Pages/LKeu%202001.aspx (Accessed on August 14, 2016)

[8] _____, Indonesia Economic Report 2004, available: http://www.bi.go.id/id/publikasi/laporan-tahunan/perekonomian/Pages/ltbi%2004.aspx (Accessed on August 14, 2016)

[9] _____, Bank Indonesia Circular Letter No. No. 6/23 / DPNP dated May 31, 2004, concerning the Rating System for Commercial Banks, Jakarta, available: http://www.bi.go.id/id/peraturan/perbankan/Pages/ketentuan %20perbankan.aspx (Accessed on August 14, 2016)

[10] _____, Indonesia Economic Report 2005, available: http://www.bi.go.id/id/publikasi/laporan-tahunan/perekonomian/Pages/ltbi%2004.aspx (Accessed on August 14, 2016)

[11] _____, Indonesian Banking Accounting Guidelines, Revised Edition, 2008, the Directorate of Banking Research and Regulation, Jakarta, available: http://www.bi.go.id/id/ peraturan/ perbankan/Documents/56f87be3a089445c976b799cf1f03f12faq_se_110409.pdf (Accessed on August 14, 2016)

[12] Ekofin, Konsulindo PT, Banking and Financial Consultants, (2009), Jakarta, Group of Company Karto & Karo PTY LTD.