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**THE ANALYSIS OF FINANCIAL PERFORMANCE BETWEEN THE MARKET  
DOMINATING STATE OWNED BANKS AND THE BIG PRIVATE BANKS**

*ANALISIS KINERJA KEUANGAN ANTARA BANK BUMN YANG MENDOMINASI PASAR  
DAN BANK SWASTA BESAR*

By

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**Abstract:** There are 117 commercial banks in Indonesian market. According to InfoBankNews.com, the state-owned banks dominated 41.10% of the market based on total assets. This research aims to investigate the financial reasons behind the market domination of the first 4 state-owned banks. This study also makes a comparison to the financial indicators of 4 largest private banks. Panel data regression with fixed effect model is used in this research. The result shows that NPL is one of the underlying reasons behind the domination of the state-owned banks where private banks' NPL is 3.3 times higher than the state-owned banks' NPL. Lower NPL in state-owned banks may shed some light on the domination of market share. So, the private banks should decrease the NPL ratio in order to increase their market share.

**Keywords:** *financial Performance, non performing loans (NPL), market share, total assets.*

**Abstrak:** Ada 117 bank umum di pasar perbankan Indonesia. Menurut InfoBankNews.com, bank BUMN menguasai pasar sebesar 41,10% berdasarkan total aset. Penelitian ini bertujuan untuk menginvestigasi alasan keuangan dibalik 4 bank bumnn yang mendominasi pasar. Penelitian ini juga membandingkan indikator keuangan dari 4 bank swasta terbesar. Regresi panel data dengan fixed effect model digunakan dalam penelitian ini. Hasilnya menunjukkan NPL adalah salah satu alasan mendasar dibalik bank bumnn mendominasi pasar dimana NPL dari bank swasta 3.3 kali lebih besar dari NPL dari bank bumnn. NPL yang rendah pada bank bumnn memberikan jawaban atas mendominasinya atas pangsa pasar. Jadi, bank swasta harus menurunkan ratio NPL untuk dapat meningkatkan pangsa pasar bank swasta.

**Kata kunci:** *kinerja keuangan, non performing loans (NPL), pangsa pasar, total aset.*

## INTRODUCTION

### Research Background

Financial institutions, especially bank plays a vital role as a financing vehicle to the economy movement of a country. A well-developed banking system is considered as the backbone of financial system of a country. It ensures the sustainable economic development and welfare by forming adequate capital and allocating funds efficiently for investment projects, payment services, healthy and robust financial systems (Rahman, 2017). A stable financial system improves the economic performance and also prevents effect caused by the impact of disruptive disorders (Schinasi, 2004). So, an enduring, efficiently and financially sound banking sector provides a base for stabilization in a financial system to achieve genuine earnings for economy development.

According to Kasmir (2010:11), bank is a financial institution with main core activities are gathering funds from the society and distribute the funds back to the society also provides other bank services. The other explanation of bank's activities, Norden (2015) stated a bank's core activities are deposit taking and lending. Banks are involved in transferring funds from savers to borrowers (financial intermediation) and in paying for goods and services (Rose and Hudgins, 2010). The other services provided by a bank are; remittances, making payments and billing.

In order to do these activities, bank needs customer which is the public, and for the public to entrust their funds to the bank, bank must show the public that they are a trusted bank to be entrusted with the funds. A public trust towards bank will be realized if the bank is able to improve their performance optimally (Miradhani and Budiyanto, 2014).

There are 117 of commercial banks who are competing to win the market listed in Bank Indonesia. Among the 117 listed bank there are top 10 banks which are; BRI; Bank Mandiri; BCA; BNI; CIMB Niaga; BTN; Panin Bank; Permata Bank; Maybank; and Danamon that have high market share based on total asset in Indonesian banking industry according to InfoBankNews.com (2017).

**Table 1. List of banks in Indonesia with high market share based on Total Asset for 2016**

Rank	Bank Name	Total Assets (IDR)	Market Share (%)
1	BRI	964,000,000,000,000	14.89
2	Bank Mandiri	918,210,000,000,000	14.18
3	BCA	662,620,000,000,000	10.23
4	BNI	564,850,000,000,000	8.72
5	CIMB-Niaga	236,550,000,000,000	3.65
6	BTN	214,200,000,000,000	3.31
7	Panin Bank	183,670,000,000,000	2.84
8	Permata Bank	165,240,000,000,000	2.55
9	Maybank	155,230,000,000,000	2.40
10	Bank Danamon	149,710,000,000,000	2.31
	Total	4,214,280,000,000,000	65.08

Source: InfoBankNews.com

From the table 1 above, it shows that the percentage of the 4 state-owned banks are winning the market by 41,10 %. The 6 private owned banks are losing the market by 23,98 %. It is clear that with only 4 banks, the state-owned banks are dominating the banking industry market. With that as based, author wants to know the reason behind the losing of the 6 private owned banks to the 4 state-owned banks by analyzing and comparing the financial performance, author selected to only compare between the 4 state-owned banks that success dominate the market with the following 4 private owned banks. By this similarity in characteristic of total assets, the 4 private owned banks should be able to compete along with the state-owned banks to win the market. But in fact, the gap for the market share between these two type of banks are quiet big.

**Research Objectives**

The purpose of this research is to answer why state-owned banks could dominate the market based on total asset.

**THEORETICAL FRAMEWORK****Bank**

According to UU No. 10 Tahun 1998 bank is a business entity that collects funds from the society in the form of savings and distributes it to the society in the form of credit and / or other forms in order to improve the standard of living of the society. Bank is a business entity with the core activities as a financial intermediary, orientating funds from the idle fund/surplus unit to the deficit unit in a certain time (Dendawijaya, 2008).

**Financial Statements**

According to Hongren (2002:63), financial statements are the documents that report a business in monetary amounts and providing information to help people in business decision-making.

**Financial Ratios**

CAR is used to measure the bank's adequacy capital to support the risk weighted assets. CAR is an indicator towards bank's ability to cover the decreasing assets caused by risky assets (Said, 2012). NPL is a loan is nonperforming when payments of interest and/or principal are past due by 90 days or more, or interest payments equal to 90 days or more have been capitalized, refinanced, or delayed by agreement, or payments are less than 90 days overdue, but there are good reasons such as debtor filing for bankruptcy to doubt that payments will be made in full (IMF, 2005). ROA is used to measure the bank's management in gaining profits overall. The higher the ROA of a bank, the higher the profit its gain and indicates more efficient in using its assets. ROE shows the proportion between bank's net income and total equity. ROE measures the return to common shareholders (Fraser and Ormiston, 2004). ROE is an indicator to shareholders and potential investor. NIM the ratio of net interest income to the average earning assets (interest earning assets) or net interest profitability (Saksonova, 2014). BOPO (OEIO) shows the proportion between operating expense and operating income. OEIO is used to measure the bank's efficiency when operates. A low cost to income ratio would contribute to a higher profitability for a bank (Erari, 2013).

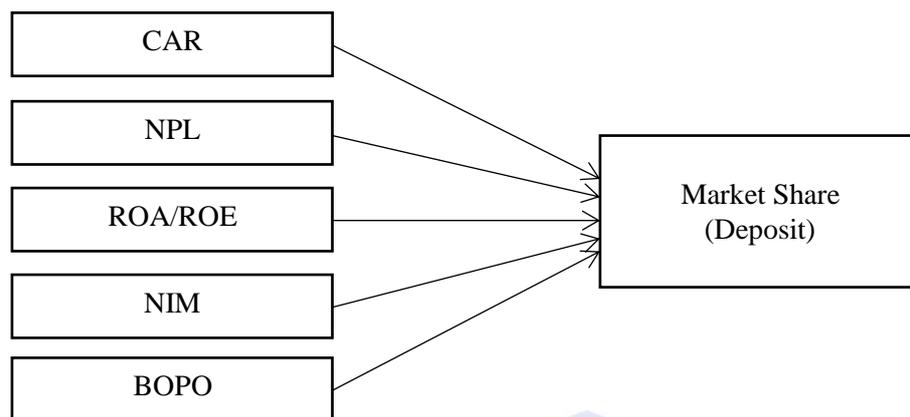
**Previous Research**

Ivanovic M. (2016) is studied about determinants of credit growth: the case of Montenegro. This study used 10 variables among them 2 variables are correlate with this research. This study also used the same analysis method which is fixed effect model. The result shows, GDP, NPL, Deposit growth, Solvency ratio have significant influence. GDP has positive relationship, NPL has negative relationship, Deposit growth has positive relation ship and solvency ration has positive relationship towards credit growth. ROE has insignificant influence with negative relationship.

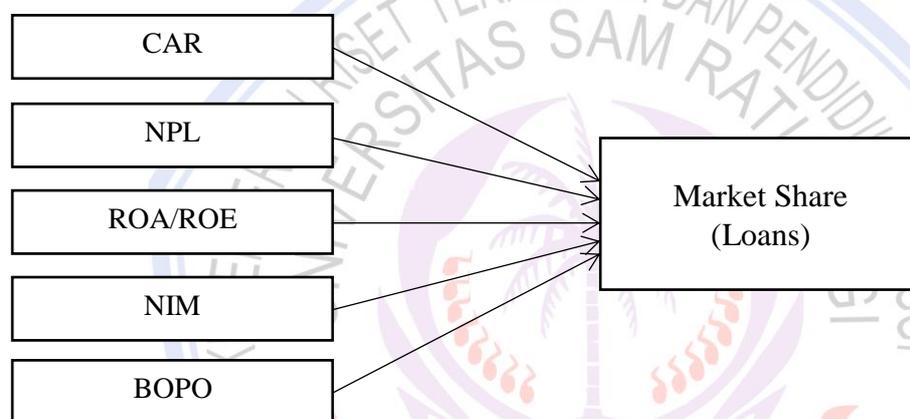
Awdeh A. (2017) is studied about determinants of credit growth in Lebanon. In this study used some variables and analysis method which is correlates to this current research. He found that deposit growth, GDP growth, inflation, and growth of money supply, all boost credit growth. Conversely, loan-loss-provision, lending rates, t-bill yield, public debt, all lower credit growth.

The last journal is come from Vink H. G. H. (2010) about determinants of deposit rate. The variables, analysis method and findings in this study are related with the current research. The result shows that the variables bank size and operational inefficiency has a negative effect on deposit rate. While, the variables market concentration, market rate and bank capital have no significant impact on the deposit rate.

### Conceptual Framework



**Figure 1. Conceptual Framework Deposit**



**Figure 2. Conceptual Framework Loans**

### RESEARCH METHOD

#### Type of Research

This research is a quantitative research with descriptive study that involves a numeric or statistical approach to the research design that examines the situation, as it exists in its current state. The object of descriptive research is to portray an accurate profile of persons, events or situations' (Robson, 2002). This descriptive study will examine the financial performance between the market dominating of state-owned banks and the big private banks.

#### Time and Place of Research

This research was conducted for 8 big commercial banks that dominate the market based total assets according to infobanknews.com in 2016 with the time of the research for 6 months (July – December 2017).

#### Research Procedure

The procedures of conducting this research are as follows:

1. Define the problem
2. Determine the samples within the bank population
3. Determine the data for conducting the research
4. Input the data
5. Analyze the data using SPSS Program
6. Give recommendation

### Population and Sample

In this research the population was the 117 commercial banks listed at Bank Indonesia. This research was conducted using purposive sampling with the criteria, 8 commercial banks that dominate the market based on total assets in 2016 according to InfoBankNews.com

### Data Collection Method

This study entirely depends on secondary data sources. In this research, 16 years financial data (2001-2016) have been used for the analysis purpose and these data are publicly available on their website.

### Data Analysis Method

The analysis models used in this research is the data panel regression model using fixed effect with equation:

#### Deposit Model (LOGDep)

$$\text{LOGDep}_{it} = \alpha + \beta_1 \text{CAR}_{it} + \beta_2 \text{NPL}_{it} + \beta_3 \text{ROA}_{it} + \beta_4 \text{NIM}_{it} + \beta_5 \text{BOPO}_{it} + \mu_i + \varepsilon_{it}$$

$$\text{LOGDep}_{it} = \alpha + \beta_1 \text{CAR}_{it} + \beta_2 \text{NPL}_{it} + \beta_3 \text{ROE}_{it} + \beta_4 \text{NIM}_{it} + \beta_5 \text{BOPO}_{it} + \mu_i + \varepsilon_{it}$$

#### Loans Model (LOGLoans)

$$\text{LOGLoans}_{it} = \alpha + \beta_1 \text{CAR}_{it} + \beta_2 \text{NPL}_{it} + \beta_3 \text{ROA}_{it} + \beta_4 \text{NIM}_{it} + \beta_5 \text{BOPO}_{it} + \mu_i + \varepsilon_{it}$$

$$\text{LOGLoans}_{it} = \alpha + \beta_1 \text{CAR}_{it} + \beta_2 \text{NPL}_{it} + \beta_3 \text{ROE}_{it} + \beta_4 \text{NIM}_{it} + \beta_5 \text{BOPO}_{it} + \mu_i + \varepsilon_{it}$$

## RESULT AND DISCUSSION

### Results Results

**Table 2. Analysis Result of LOGDeposit using ROA of BBUMN**

Parameter	Estimate	Std. Error	Df	T	Sig.
<b>Intercept</b>	19.61	0.82	61	23.82	0.00
<b>CAR</b>	0.01	0.01	61	1.70	0.09
<b>NPL</b>	-0.02	0.01	61	-2.02	0.05
<b>ROA</b>	-0.49	0.09	61	-5.50	0.00
<b>NIM</b>	0.02	0.02	61	1.04	0.30
<b>BOPO</b>	-0.05	0.01	61	-6.54	0.00

Source: Data Processed, 2017

From the analysis result table 3, it is concluded that from the five independent variables being used, only ROE, NIM and BOPO have significant effect on LOGDeposit by having significance level below 5%.

**Table 3. Analysis Result of LOGDeposit using ROA of BSWASTA**

Parameter	Estimate	Std. Error	df	T	Sig.
<b>Intercept</b>	14.73	0.34	58	43.46	0.00
<b>CAR</b>	-0.01	0.00	58	-2.92	0.01
<b>NPL</b>	-0.06	0.01	58	-7.12	0.00
<b>ROA</b>	-0.07	0.04	58	-1.95	0.06
<b>NIM</b>	-0.07	0.03	58	-2.23	0.03
<b>BOPO</b>	0.00	0.00	58	0.53	0.60

Source: Data Processed, 2017

From the analysis result table 4, it is concluded that from the five independent variables being used, only CAR, NPL and NIM variables which partially have significant effect on LOGDeposit by having significance level below 5%.

**Table 4. Analysis Result of LOGLoans using ROA of BBUMN**

Parameter	Estimate	Std. Error	Df	T	Sig.
<b>Intercept</b>	20.86	0.98	61	21.20	0.00
<b>CAR</b>	0.02	0.01	61	1.67	0.10
<b>NPL</b>	-0.02	0.01	61	-2.01	0.05
<b>ROA</b>	-0.64	0.11	61	-6.02	0.00
<b>NIM</b>	0.08	0.03	61	2.96	0.00
<b>BOPO</b>	-0.07	0.01	61	-7.34	0.00

Source: Data Processed, 2017

From the analysis result table 5, it is concluded that from the five independent variables being used, only NPL, ROA, NIM and BOPO that have significant effect on LOGLoans by having significance level below 5%.

**Table 5. Analysis Result of LOGLoans using ROA of BSWASTA**

Parameter	Estimate	Std. Error	Df	T	Sig.
<b>Intercept</b>	15.14	0.50	58	30.07	0.00
<b>CAR</b>	-0.03	0.01	58	-3.82	0.00

<b>NPL</b>	-0.08	0.01	58	-6.55	0.00
<b>ROA</b>	-0.13	0.05	58	-2.44	0.02
<b>NIM</b>	-0.02	0.05	58	-0.40	0.69
<b>BOPO</b>	0.00	0.00	58	-0.58	0.56

Source: Data Processed, 2017

From the analysis result table 6, it is concluded that from the five independent variables being used, only CAR, NPL and ROA have significant effect on LOGLoans by having significance level below 5%.

**Table 6. Analysis Result of LOGDeposit using ROE of BBUMN**

<b>Parameter</b>	<b>Estimate</b>	<b>Std. Error</b>	<b>df</b>	<b>t</b>	<b>Sig.</b>
<b>Intercept</b>	16.90	0.42	61	40.22	0.00
<b>CAR</b>	0.00	0.01	61	0.32	0.75
<b>NPL</b>	-0.01	0.01	61	-1.88	0.07
<b>ROE</b>	-0.02	0.00	61	-6.27	0.00
<b>NIM</b>	-0.05	0.02	61	-2.45	0.02
<b>BOPO</b>	-0.02	0.00	61	-5.10	0.00

Source: Data Processed, 2017

From the analysis result table 7, it is concluded that from the five independent variables being used, only ROE, NIM and BOPO have significant effect on LOGDeposit by having significance level below 5%.

**Table 7. Analysis Result of LOGDeposit using ROE of BSWASTA**

<b>Parameter</b>	<b>Estimate</b>	<b>Std. Error</b>	<b>Df</b>	<b>t</b>	<b>Sig.</b>
<b>Intercept</b>	14.59	0.25	58	59.51	0.00
<b>CAR</b>	-0.01	0.00	58	-2.34	0.02
<b>NPL</b>	-0.07	0.01	58	-9.05	0.00
<b>ROE</b>	-0.01	0.00	58	-4.54	0.00
<b>NIM</b>	-0.08	0.03	58	-2.97	0.00
<b>BOPO</b>	0.00	0.00	58	1.53	0.13

Source: Data Processed, 2017

From the analysis result table 8, it is concluded that from the five independent variables being used, only CAR, NPL, ROE and NIM have significant effect on LOGDeposit by having significance level below 5%.

**Table 8. Analysis Result of LOGLoans using ROE of BBUMN**

Parameter	Estimate	Std. Error	Df	t	Sig.
<b>Intercept</b>	17.36	0.49	61	35.53	0.00
<b>CAR</b>	0.00	0.01	61	0.12	0.90
<b>NPL</b>	-0.02	0.01	61	-1.90	0.06
<b>ROE</b>	-0.03	0.00	61	-7.21	0.00
<b>NIM</b>	-0.02	0.03	61	-0.78	0.44
<b>BOPO</b>	-0.03	0.01	61	-6.13	0.00

Source: Data Processed, 2017

From the analysis result table 9, it is concluded that from the five independent variables being used, only ROE and BOPO have significant effect on LOGLoans by having significance level below 5%.

**Table 9. Analysis Result of LOGLoans using ROE of BSWASTA**

Parameter	Estimate	Std. Error	Df	T	Sig.
<b>Intercept</b>	14.86	0.35	58	42.29	0.00
<b>CAR</b>	-0.02	0.01	58	-3.31	0.00
<b>NPL</b>	-0.10	0.01	58	-9.00	0.00
<b>ROE</b>	-0.01	0.00	58	-5.44	0.00
<b>NIM</b>	-0.04	0.04	58	-1.01	0.32
<b>BOPO</b>	0.00	0.00	58	0.08	0.94

Source: Data Processed, 2017

From the analysis result table 10, it is concluded that from the five independent variables being used, only CAR, NPL and ROE have significant effect on LOGLoans by having significance level below 5%.

## Discussions

From table 3 and 4, NPL is the variable that has significant influence either to the state-owned banks and to private banks Deposit. The private banks performance on NPL variable are found has a larger coefficient value than NPL variable in state-owned bank. From the compared result, the coefficient of the influence of private banks' NPL variable to deposit (LOGDep) is 3.3 times greater than the state-owned banks'. It means that the customer or the public tends to look for the NPL ratio of the private banks to make a deposit that cause decreasing of the market share of the private banks.

From tables 5 and 6 result's, NPL and ROA are the variables that have significant influence either to the state-owned banks and to private banks Loans. The private banks performance on NPL variable is found to have a larger coefficient value than NPL variable in state-owned bank. From the compared result, the coefficient of the influence of private banks' NPL variable to loans (LOGLoans) is 4 times greater than the state-owned banks'. It means that the customer or the public tends to look for the NPL ratio of the private banks to make a loan that cause decreasing in the market share of the private banks. The state-owned banks performance on ROA variable is found to have a larger coefficient value than ROA variable in private banks. From the compared result, the coefficient of the influence of state-owned banks' ROA variable to loans (LOGLoans) is 5 times greater than the state-owned banks'.

From tables 7 and 8 results', ROE and NIM are the variables that have significant influence either to the state-owned banks and to private banks deposit. From the compared result, the state-owned banks performance on ROE variable is found to have a larger coefficient value than ROE variable in private banks which is influence to deposit (LOGDep) 4.2 times greater than the private banks. The private banks performance on NIM variable are found to have a larger coefficient value than NIM variable in state-owned banks which is influence to deposit (LOGDep) 1.5 times greater than the state-owned banks.

From tables 9 and 10 result's, ROE is the variable that have significant influence either to the state-owned banks and to private banks. From the compared result, the state-owned banks performance on ROE variable are found to have a larger coefficient value than ROE variable in private banks which is influence to loans (LOGLoans) 3.5 times greater than the private banks.

## CONCLUSION AND RECOMMENDATION

### Conclusion

Based on the result analysis this research can be concluded as follows:

The financial performance of private banks has more influence to its deposits and loans compared to state-owned banks, especially as seen from NPL. The lower influence of state-owned banks' NPL might be the cause of other factors that have more influence to its deposits and loans, such as its status as state-owned banks, political factors, or in other words, factors other than financial performance have more influence than its financial performance variables.

### Recommendation

The recommendations than can be given based on the results of this research in order to maximize the market share based on total assets are:

Banks especially private banks should decrease the NPL ratio in order to increase the market share from deposit or loans perspective because NPL influenced significantly to deposit and loans. Because the inconsistency results of the other 3 significant variables, then it is recommended for the future researcher to add more data in order to get the best result.

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