THE ANALYSIS OF BANK PERFORMANCE IN PT. BANK NEGARA INDONESIA, TBK AND PT. BANK RAKYAT INDONESIA,TBK BASED ON FINANCIAL RATIO

by:
Dwi Kosasih

Faculty of Economics and Business
International Business Administration (IBA) Program
University of Sam Ratulangi Manado
email: kosasihdwi@gmail.com

ABSTRACT

Bank is one financial institution that supports the growth and development of the economy of a country. Banks in Indonesia have several functions, one of it is to save money and make loans to the public. Bank also has a number of purposes such as to improve the quality of service and most importantly to give satisfaction to the consumer. The quality of a bank can be seen from the performance of the bank, if the bank is a good performance management system means the bank is also good. This study aimed to compare the performance of the bank BNI and BRI, the performance of the two banks is measured by financial ratios such as ROA, ROE, NIM, CAR, LDR, NPL during the period year of 2004-2012. This type of research is a comparative study with secondary data collection techniques. Independent sample t - test was used to test the average difference. The conclusion of this study is on the period 2004-2008 there is a performance difference between the BNI and BRI bank seen from the CAR. And in the period 2009-2012 there is a performance difference between the BNI and BRI bank seen from the CAR, NPL, and LDR.And in the period 2009-2012 there a performance difference between the BNI and BRI bank seen from the CAR, NPL, LDR. BNI and BRI needs to control their asset, loan and uphold the principles of prudential banking in lending to increase their profit.

Keywords: *bank Performance, ROA, ROE, NIM, CAR, NPL, LDR, BNI, BRI.*

Research Background

Globalization era, there are so many risks in bank activities. Bank is an industry whose main activity is raising funds of society then delivered it with the aim to obtain income. Therefore important for banks to maintain public confidence. Banking problems in Indonesia, among others, due to the depreciation of the rupiah, rising interest rates Bank Indonesia Certificates (SBI) leading to increase non-performing loans. Weak internal condition of the bank as an inadequate management, loan provision to the group or the group itself as well as the business capital can't cover the risks faced by the bank led to the bank's performance declined. Because its business activities rely on trust society, decrease in the bank's performance can degrade also public trust. Bank is an industry whose business activities are relying on public confidence in the soundness of banks that need to be maintained.

Banks such as health maintenance done while maintaining liquidity so that banks can meet obligations to all parties of interest or redeem the savings at any time. In addition to the factors of liquidity, bank business success is also determined by the ability of the managers in maintaining their financial secrets entrusted to him as well as the safety of cash or other assets that are deposited at the bank. The importance of maintaining public confidence in the bank because the bank's main activity is the raising of funds from the public and then distribute it in order to earn income.

Bank Indonesia therefore apply the rules on bank health. Bank health can be defined as the ability of a bank to conduct normal banking operations and is able to meet all its obligations well in ways that conform to the applicable banking regulations. With the bank 's rules on health care, banks are expected to always be in good health so it will not harm associated with the banking community . Seeing the role of bank very strategic in Indonesia economy, it needs special supervision to maintain the soundness and stability of the bank. Assessment and supervision is provided for in article 29 paragraph 2 of the Banking Act 1992 with a provision that the surveillance conducted by the central bank (Bank Indonesia) and banks are required to pay attention to capital, asset quality, management quality, earnings, liquidity, solvency, and aspects other business-related bank.

The bank pushed for more efficient and selective in the manage, maintain and implement the company's management to be more professional. The competitors in banking world is not only local but globalized oriented to meet the challenges in this era of globalization. With the number of competitors in the banking world, every company is required to show the best performance and the company's strategy to mature in all areas including financial management. Financial ratio analysis is comprehensive because it covers the company's level of efficiency in the use of its assets and can measure the level of the company's income. The purpose of this analysis is used to determine how effectively companies manage the finances. Based on the explanation this research want to analyze Financial Ratios as a Tool for Measuring Bank Performance Bank in Bank Negara Indonesia,Tbk. (BNI) and Bank Rakyat Indonesia,Tbk. (BRI) period year 2004-2012.

Research Objective

1. To analyze the performance of PT. Bank Negara Indonesia Tbk, (BNI) and PT. Bank Rakyat Indonesia Tbk, (BRI) during the period year of 2004-2012.
2. To identify the differences between PT. Bank Negara Indonesia,Tbk and PT. Bank Rakyat Indonesia,Tbk performance based on financial ratio.

THEORETICAL FRAMEWORK

Bank Performance

Berger & Humphrey (1997) state, assert that the whole idea of measuring bank performance is to separate banks that are performing well from those which are doing poorly. They further indicated that, "evaluating the performance of financial institution can inform government policy by assessing the effects of deregulation, mergers and market structure on efficiency" (Kumbirai and Webb, 2010;35). The regulatory framework for minimum capital requirements, the loan classification and provisioning for specific credit risk, the liquidity and the insurance of deposits and specific indicators of banking influenced the bank performance and the degree of banking development Chitan (2012;549-554).

Previous Research

Kumbirai and Webb (2010) the financial ratios are employed to measure the profitability, liquidity and credit quality performance of five large South African based commercial banks. The study found that overall bank performance increased considerably in the first two years of the analysis. Fries, Neven and Seabright (2002) found bank performance differs significantly depending on the reform environment, as well as the competitive conditions, in which they operate. Bikker (2010) demonstrates that measuring the performance of banks is hard and that indicators differ strongly in quality. It investigates which methods are to be preferred and how by combining certain indicators stronger measures may be developed. These measures are subjected to a predictive validity test.

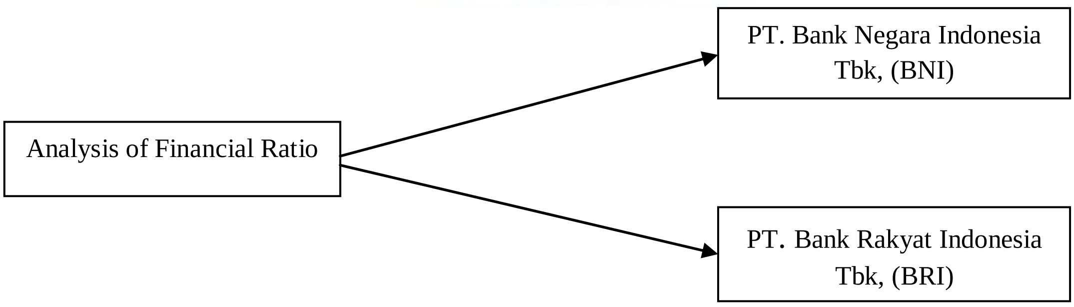

Figure 1. Conceptual Framework

Source: Theoritical review

Research Hypothesis

1. H0 : There is no significant differences of the two bank performance from the financial ratio
2. H1 : There is a significant differences in of the two bank performance from the financial ratio

RESEARCH METHOD

Type of Research

This research is classified in to comparative design. In this research compare the BNI and BRI based on the financial ratio. This research is classified on observation method. The researcher is gathering data by act as nonparticipant-observer. It means by collecting the data without becoming an integral part of the organization. This study uses quantitative methods to obtain data.

Place and Time of Research

The object of this research is a bank performance of local bank listed in IDX from 2004 until 2012 by collecting data from Bank Publications issued by IDX itself.

Population and Sample

Population is the entire group of people, events, or things that the researcher desire to investigate (Sekaran and Bougie, 2009:262). Population of this research is banks that go public and listed in IDX.

The sample of this research is financial report from 2004 until 2012. The sampling technique used in this study is purposive sampling. Purposive sampling is sampling design in which the required information is gathered from special or specific target (Sekaran and Bougie, 2009:276).

Data Collection Method

This research using a secondary data is that have already been gathered by researchers, data published in statistical and other journals and information available from any published or unpublished source available either within or outside the organization, all of which might be useful to researcher (Sekaran and Bougie, 2009:184). Secondary data from this research which is a company financial report, theoretical review and documentation data gathering method from library and internet.

Operational Definition of Research Variables

There are two broad approaches used to measure bank performance, the accounting approach, which makes use of financial ratios and econometric techniques. Traditionally accounting methods primarily based on the use of financial ratios have been employed for assessing bank performance (Ncube, 2009). The measurement of bank performance particularly commercial bank is well researched and has received increased attention over the past years (Seiford and Zhu, 1999).

Data Analysis Method

Analysis Ratio

1. Capital Adequacy Ratio (CAR)

   Related to Indonesian banks, there is one ratio that can be used to measure bank's capital account that is Capital Adequacy Ratio. CAR is the ratio that can used to measure the modal that owned by bank to support risk assets. According to *Surat edaran Bank Indonesia Nomor 3/30/DPNP 14 Desember 2001*, Capital Adequacy Ratio can be calculated as followed:

$$CAR = \frac{\text{Equity capital}}{\text{Total Loans + Securities}}$$

2. Non-Performing Loan

   Non-performing loans is to measure the credit risk. Non-performing loan can be calculated as followed:

$$NPL = \frac{\text{Total Non Performing Loans}}{\text{Short Term Borrowing}}$$

3. Return on Assets (ROA)
   Return on assets defines the ability of company to gain income from the processing of assets. Return on assets is good to measure the performance profitability of a company. Return on Assets can be calculated as followed:

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$$

4. Return on Equity (ROE)
   ROE is a ratio to measure the ability of bank management in managing existing capital to get net income. Return on Equity can be calculated as followed:

$$ROE = \frac{\text{Net Income}}{\text{Equity capital}}$$

5. Loan to Deposit Ratio (LDR)
   Loan to deposit ratio is an indicator of the ability of the bank to convert deposits into loans. From a liquidity point of view a high loan to deposit ratio indicates a bank's ability to manage with a low level of cash and marketable investment. Loan to Deposit Ratio (LDR) can be calculated as followed:

$$LDR = \frac{\text{Total Loans}}{\text{Total Deposits}}$$

6. Net Interest Margin (NIM)
   The net Interest margin can be expressed as a performance metric that examines the success of a firm's investment decisions as contrasted to its debt situations. A negative Net Interest Margin indicates that the firm was unable to make an optimal decision, as interest expenses were higher than the amount of returns produced by investments. Thus, in calculating the Net Interest Margin, financial stability is a constant concern.

$$NIM = \frac{\text{(Investment Returns – Interest Expenses)}}{\text{Average Earning Assets}}$$

Independent Sample t-test Model

On this method want to see the statistical techniques that form the different test is used to test whether there are significant differences between the groups were tested. If the sample to be tested group differences in the average calculation consists of two groups of statistical techniques used were t-test technique whereas if the sample group of more than two techniques used analysis of variance (ANOVA).

RESULT AND DISCUSSION

Result

The results are detailed explanations concerning the calculation of PT. Bank Negara Indonesia,Tbk and PT. Bank Rakyat Indonesia,Tbk from financial ratio and using independent sample t-test analysis.

Table 1. Ratio data of PT. Bank Negara Indonesia,Tbk

BNI	ROA	ROE	NIM	LDR	CAR	NPL
2004	2.5	29.6	5.6	55.1	17.1	4.6
2005	1.6	12.6	5.4	54.2	16.0	13.7
2006	1.9	22.6	5.2	49.2	15.3	10.5
2007	0.9	8.0	5.0	60.6	15.7	8.2
2008	1.1	9.0	6.3	68.6	13.5	4.9
2009	1.7	16.3	6.0	64.1	13.8	4.7
2010	2.5	24.7	5.8	70.2	18.6	4.3
2011	2.9	20.1	6.0	70.4	17.6	3.6
2012	2.9	20.0	5.9	77.5	16.7	2.8

Source: IDX, 2013

Table 1 shows that the value of bank performance from analysis ratio PT. Bank Nrgara Indonesia,Tbk for the period of 2004-2012 concluded that the company is in a position of the healthy company because of the score of the analysis ratio in the in the last few years showed a good number and in accordance with the provisions of Bank Indonesia.

Table 2. Ratio data of PT. Bank Rakyat Indonesia,Tbk

BNI	ROA	ROE	NIM	LDR	CAR	NPL
2004	5.77	42.76	12.16	75.69	16.19	4.19
2005	5.04	38.00	12.18	77.83	15.29	4.68
2006	4.36	33.75	11.16	72.53	18.82	4.81
2007	4.61	31.64	10.86	68.80	15.84	3.44
2008	4.18	34.50	10.18	79.93	13.18	2.80
2009	3.73	35.22	9.14	80.88	13.20	3.52
2010	4.64	43.83	10.77	75.17	13.76	2.78
2011	4.93	42.49	9.58	76.20	14.96	2.30
2012	5.15	38.66	8.42	79.85	16.95	1.78

Source: IDX, 2013

Table 2 shows that the ratio data of PT. Bank Rakyat Indonesia in period year 2004-2012 for the period of 2008-2012 concluded that the company is in a position of the healthy company because of the score of the analysis ratio in the in the last few years showed a good number and in accordance with the provisions of Bank Indonesia.

The results of this study are detailed explanations concerning the calculation of the companies PT. Bnak Negara Indonesia, Tbk and PT. Bank Rakyat Indonesia,Tbk from ratio analysis. For looking the significance used terms if the significance is larger than 0.05 then there is no difference, if the significance less than 0.05 then there is a difference.

Table 3. Result of Independent Sample T-test Analysis Period Year 2004-2008

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
ROA	Equal variances assumed	,002	,962	-7,916	8	,000	-3.19200	.40325	-4.12191	-2.26209
	Equal variances not assumed			-7,916	7,999	,000	-3.19200	.40325	-4.12192	-2.26208
ROE	Equal variances assumed	5,759	,043	-4,272	8	,003	-19.77000	4.62800	-30.44218	-9.09782
	Equal variances not assumed			-4,272	5,647	,006	-19.77000	4.62800	-31.26802	-8.27198
NIM	Equal variances assumed	2,274	,170	-13,018	8	,000	-5.80800	.44617	-6.83686	-4.77914
	Equal variances not assumed			-13,018	6,412	,000	-5.80800	.44617	-6.88295	-4.73305
LDR	Equal variances assumed	1,270	,292	-4,530	8	,002	-17.41600	3.84495	-26.28248	-8.54952
	Equal variances not assumed			-4,530	6,517	,003	-17.41600	3.84495	-26.64619	-8.18581
CAR	Equal variances assumed	,327	,583	-,319	8	,758	-.34400	1.07857	-2.83118	2.14318
	Equal variances not assumed			-,319	6,859	,759	-.34400	1.07857	-2.90508	2.21708
NPL	Equal variances assumed	6,752	,032	2,494	8	,037	4.39600	1.76260	.33145	8.46055
	Equal variances not assumed			2,494	4,392	,062	4.39600	1.76260	-.33033	9.12233

Source: Data Processed, 2013

Table 3 shows that the value of Independent sample T-test in PT. Bank Negara Inodensia, Tbk and PT. Bank Rakyat Indonesia, Tbk for the period 2004-2008 there are differences in the performance of banks in the CAR ratio, because the value of the independent sample t-test showed that the CAR ratio has a value above 0.05 which means that H1 is accepted and H0 is rejected. And for ROA, ROE, NIM, LDR and NPL ratio there is no defferences in the performance of banks, which means that H0 is accepted and H1 is rejected.

Table 4. Result of Independent Sample T-test Analysis Period Year 2009-2012

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
ROA	Equal variances assumed	,029	,871	-5,015	6	,002	-2.11250	.42124	-3.14323	-1.08177
	Equal variances not assumed			-5,015	5,943	,002	-2.11250	.42124	-3.14565	-1.07935
ROE	Equal variances assumed	,425	,538	-7,612	6	,000	-19.77500	2.59792	-26.13189	-13.41811
	Equal variances not assumed			-7,612	5,910	,000	-19.77500	2.59792	-26.15553	-13.39447
NIM	Equal variances assumed	4,783	,071	-7,176	6	,000	-3.55250	.49504	-4.76382	-2.34118
	Equal variances not assumed			-7,176	3,057	,005	-3.55250	.49504	-5.11155	-1.99345
LDR	Equal variances assumed	,361	,570	-2,436	6	,051	-7.47500	3.06884	-14.98418	.03418
	Equal variances not assumed			-2,436	4,437	,065	-7.47500	3.06884	-15.67474	.72474
CAR	Equal variances assumed	,072	,798	1,477	6	,190	1.95750	1.32571	-1.28639	5.20139
	Equal variances not assumed			1,477	5,731	,193	1.95750	1.32571	-1.32359	5.23859
NPL	Equal variances assumed	,134	,727	2,251	6	,065	1.25500	.55761	-.10941	2.61941
	Equal variances not assumed			2,251	5,914	,066	1.25500	.55761	-.11422	2.62422

Source: Data Processed, 2013

Table 4 shows that the value of Independent sample T-test in PT. Bank Negara Inodensia,Tbk and PT. Bank Rakyat Indonesia, Tbk for the period 2009-2012 there are differences in the performance of banks in the LDR, CAR and NPL ratio, because the value of the independent sample t-test showed that the LDR, CAR and NPL ratio has a value above 0.05 which means that H1 is accepted and H0 is rejected. And for ROA, ROE and NIM ratio there is no defferences in the performance of banks, which means that H0 is accepted and H1 is rejected.

Discussion

In general the bank is a financial intermediary typically established with the authority to accept deposits, lend money, and issue promissory notes, known as a banknote. Banking business covers three activities, namely collecting funds, distributing funds and providing other banking services. Bank also is the connection between customers that have capital deficits and customers with capital surpluses

In this research discussed about bank performance by using financial ratio. There are two banks that is discussed in this research and used 9 years period of financial performance of the banks which from 2004 until 2012. The financial performance in this research is describes from financial report of the bank. Financial reports of the bank can be showed from their financial statement which can be read by the ratio analysis. The ratio analysis that used in this research is 6 ratios that are relevant to analyze the bank performance by financial performance.

This research is using Independent Sample t-test model that processed by SPSS 15. Based from the results above showed that NPL (Non Performing Loan), CAR (Capital Adequacy Ratio), and LDR (Loan to Deposit Ratio) were significantly different between the financial performance of bank BNI and bank BRI. It can be said that the NPL, CAR and LDR as a distinguishing factor the bank performance between bank BNI and bank BRI based on the financial ratio.

In 2004 to 2008 there was a difference in the performance of the bank is the CAR ratio seen from the financial statements of both the bank and carried Independent sample T-test. The difference can be seen in Table 2, this happens because the CAR of BNI in 2006 reached 15.30% Compared to 15.99% in 2005. The decline resulted primarily from the increase of risk-weighted assets (RWA) due to the expansion of loans in 2005. In other hand, the capital significantly declined especially in supplementary capital as a result of maturity date of the subordinate loans. Due to stronger lending growth, assets increased marginally faster than deposits, leading to a slightly decreased CAR, which declined from 15.7% in 2007 to 13.5% in 2008. This figure still remains well above the government mandated 8% minimum. The conclusion is BRI have better financial performance than the BNI over periods of years 2004-2008. It is based on the financial performance of the prevailing views of NPL BRI, LDR, and ROA. While BRI no better financial performance compared with BNI views of the CAR.

In 2009-2012 there were differences in the performance of banks in the CAR ratio, NPL ratio and LDR ratio. In Table 5.4 can be seen the difference, this happens because the BNI is Capital Adequacy Ratio (CAR) reached 13.8% at the end of 2009, well above the minimum requirement. The Bank's respectable CAR level will provide the necessary support for BNI's future business growth. Nevertheless, we need to consider the Bank's corporate action to establish its Sharia Bank requiring a Rp 1 trillion capital injection. In addition, the Bank should consider the possibility of other equity investments.

Capital Adequacy Ratio (CAR) at the end of 2011 experienced a decline to 17.6% from 18.6% in 2010. The decline reflects increased financing in 2011 and was also attributed to the change in the calculation of operational risk weighting, from the original 10% in 2010 to 15% in 2011, in accordance with Bank Indonesia Circular Letter No11/3/DPNP dated January 27, 2009. Although BNI's CAR ratio was lower than the previous year, the capital structure still demonstrates its ability to compensate for market risk, credit risk and operational risks, as it was still much higher than the minimum level of capital adequacy ratio set by BI of 8%. And in the en of 2012 the Capital Adequacy Ratio (CAR) declined to 16.7% in 2012 from 17.6% in 2011. The decline was due to business expansion as reflected in the strong loan growth during 2012. However, the decline does not affect the capability of BNI's capital structure to anticipate credit risk, operational risks, and market risk, as it was still much higher than the minimum level of capital adequacy ratio set by Bank Indonesia of 8%.

The Capital Adequacy Ratio (CAR) of BRI at the end of 2009 was recorded at 13.20% slightly higher than in 2008 ammounted to 13.18%. This is due to a decrease in dividend payout ratio BRI and management policies to be more selective expansion to loans with lower risk weights. In 2010 increased by 13.76% from 13.20% in 2009. This increase was due to a significant increase in net income in 2010 to strengthen the capital of BRI. The CAR of BRI is 14.96% in the year 2011, an increase compared to previous year of 13.76%. Increase is due to the careful management policy BRI in capital management and policy in expanding loans to loans that have lower risk weights. In 2012 BRI's capital adequacy ratio was at 16.95% up from 14.96% rate in 2011. This shows the ability of BRI produce high profits so that core capital increased by 35%, which in turn increases the ratio of CAR in December 2012.

The NPL ratio of bank BNI in 2009 the corporate banking business continued to execute a comprehensive strategy set to reduce the Bank NPL level. The plan among others, includes the implementation of loan restructuring approach for prospective debtors, trade off discounts for debtors that are no longer in operation but who wish to settle their debts. A new policy was also introduced to increase loan loss coverage to 120.1% level. As a result, we succeeded in upgrading two NPL debtors to PL debtors with total lending of Rp 353 billion, while total loan payment and NPL collection reached Rp 126 billion by the end of the year. In 2010 we will continue to implement the strategy launched in 2009. Efforts on NPL settlement will include collaboration with strategic investors to resolve feasible but unbankable NPLs, loan collateral liquidation and sale of debtor's non-productive assets in order to reduce outstanding loans, and execution of Personal Guarantees and Company Guarantees.

The amount of non-performing loans in 2011 was Rp 5.7 trillion, remaining stable with the previous year's Rp 5.7 trillion. In 2011, gross NPL ratio improved from 4.3% in 2010 to 3.6%. Loan loss reserves level in 2011 were the same with the previous year's, which amounted to Rp 6.9 trillion. Loan quality improvement in 2011 resulted in improved net NPL of 0.5% in 2011 compared with 1.1% in 2010. Non-performing loans amounted to Rp5.6 trillion in 2012, a decline from Rp5.9 trillion in 2011. This resulted in a decline in gross NPL from 3.6% in 2011 to 2.8% in 2012. However, net NPL ratio increased from 0.5% in 2011 to 0.8% in 2012, due to a change in the composition of allowance for impairment losses in 2012.

The NPL ratio of bank BRI is improved, which is from Rp 7, 31 trillion in December 2009 to Rp 7, 04 trillion in December 2010, so the BRI gross NPL ratio in December 2010 to 2.79% improved from year 2009 of 3.51% . Improvement of credit quality is supported by the improvement in the NPL micro segments down from 1.40% in December 2009 to 1.22% in December 2010. At the end of 2011, BRI had a net profit of Rp15, 08 trillion, an increase of 31.47% from the year 2010 which was recorded at Rp11, 47 trillion. The increase in net income from loan growth and improved quality are reflected in the declining NPL of 2.78% in 2010 to 2.30% in 2011. NPL ratio in 2012 was reduced by 1.83% from a rate of 2.30% in 2011 despite the increase in total loans in 2012. This suggests that the management efforts in maintaining and improving credit quality gives positive results. Improved credit quality for micro segments, retail and corporate real contributed to a reduction in the NPL.

CONCLUSION AND RECOMMENDATION

Conclusion

The conclusions are: (1) The bank performance of PT. Bank Negara Indonesia, Tbk based on financial ratios from 2004 to 2012 was in accordance with the provisions of the Bank Indonesia that the bank's good performance. Despite having fluctuations in some ratio but still in a natural condition; (2) The bank performance of PT. Bank Rakyat Indonesia, Tbk based on financial ratios from 2004 to 2012 was in accordance with the provisions of the Bank Indonesia that the bank's good performance. Just like Bank BNI despite some fluctuations in the ratio but still in a natural condition; and (3) The bank performance of PT. Bank Negara Indonesia, Tbk and PT. Bank Rakyat Indonesia, Tbk based on independent sample t-test that there are differences in the performance of banks in the NPL, CAR, and LDR ratio.

Recommendation

From the results of this research proved that methods of bank performance based in PT. Bank Negara Indonesia,Tbk and PT. Bank Rakyat Indonesia,Tbk based on financial ratio, the recommendation for the companies are as follows: (1) To improve the bank's ability to generate earnings as a whole by using the assets (ROA) is a way to maintain the quality of the ROA include bank productivity in generating profits and assets owned bank BNI and BRI; and (2) To increase the ability of Bank BNI and Bank BRI in generating income from business (net profit margin) that is by reducing the amount of liabilities increase operating income. Bank BNI and BRI bank needs to uphold the principles of prudential banking in lending. This can be achieved if the bank BNI and BRI bank still holds the precautionary principle (prudential banking) in distributing funds to finance customers.

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