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Comparison Analysis Financial Performance of Go Public Regional Development Bank Areas with Non Go Public Regional Development Bank

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Abstract

This study aims to determine whether there is a difference in the financial performance of PT Bank Pembangunan Daerah Jawa Barat dan Banten TBK (Bank BJB) that already went public with PT Bank Pembangunan Daerah DKI (Bank DKI) Jakarta which haven't yet go public. Assessment of financial performance based on financial reports through financial ratios, which are used as the variables in the study. The financial ratios are the ratio of profitability, solvency, liquidity, and productive activities. The research method used is a quantitative approach in the form of comparative. The results showed the financial performance of the ROA (Return on Assets), ROE (Return on Equity), NIM (Net Interest Margin), BOPO (Ratio of Operational Costs to Operational Income), CAR (Capital Adequacy Ratio) and LDR (Loan Deposit Ratio), there was no significant difference between Bank BJB that have went to public with Bank DKI Jakarta which haven't yet go public, whereas if viewed from the NPL There is a significant difference.

Keywords: Financial performance; Financial ratios

Introduction

Background

Regional Development Bank (BPD) is one of the regionally owned enterprises whose majority share ownership is mostly owned by the provincial and district/city governments. BPD has three main functions, namely as a driver of the creation of the level of economic growth and regional development in order to improve the standard of living of the people, Holders of Regional Cash and or save Regional Money and one of the sources of Regional Original Income. BPD has a strategic role in encouraging regional economies, BPD can be more effective than other bank groups, because BPD controls operational networks and field recognition in the region.

Bank Indonesia launched the BPD to become a leading bank in the region that acts as an agent of regional development to increase small and micro-scale loans to productive industrial sectors and improve the status of BPD, from just a limited liability company to a limited liability company or other terms to go public and register (listing) its shares in the capital market.

So far, the performance of banks that go public is considered to be better than non-public banks because banks go public have various alternative funding sources that can be used as working capital. Based on previous research regarding the analysis of financial performance (aspects of capital) banks going public with non-public banks in achieving profit that banks go public are not always good and healthy compared to banks not going public [1]. Of the total twenty-seven BPDs, only 3 (three) BPDs were on the Indonesia Stock Exchange (IDX), namely PT Bank Pembangunaan Daerah Jawa Barat and BantenTbk (BJBR) and PT Bank Pembangunaan Daerah Jawa Timur Tbk (BJTM), and PT Bank Banten Regional Development (BEKS) [2].

This research was conducted by analyzing secondary data used in the ratio of financial performance from the aspect of the bank's ability to obtain profits, namely ROA (Return On Asset), ROE (Return On Equity), BOPO (Ratio of Operational Costs to Operational Income), and NIM (Net Interest Margin). Financial performance ratio from the aspect of bank capital, namely CAR (Capital Adequacy Ratio) [3]. Financial performance ratio from the aspect of the bank's ability to repay depositors' withdrawals, namely LDR (Loan Deposit Ratio). Financial performance ratio from the aspect of the bank's ability to manage non-performing loans, namely NPL (net Performing Loan) at one BPD that goes public namely PT Bank Pembangunaan Daerah Jawa Barat and Banten Tbk (BJBR) as Bank BJB and one non-public BPD namely PT Bank Pembangunan Daerah DKI (Bank DKI) [4].

Research purpose

The study was intended to determine, analyze and compare the differences between the financial performance of Bank BJB as a bank that has gone public and Bank DKI for non-public banks.

Literature Review

Regional development bank (BPD)

The Regional Development Bank (BPD) is a bank with a deed of establishment, profits and capital owned by provincial level governments both level I and level II spread throughout Indonesia [5]. BPD as one of the banks in the national banking system has a significant function and role in the context of regional economic development, because BPD is able to open a service network in areas where it is not economically possible for private banks [6-10].

Regional Development Bank (BPD) whose provisions are regulated in Law No. 13/1962. This bank was established with the aim to help implement equitable development in all regions in Indonesia [11]. Regarding its institutional position, the BPD is within the Ministry of Home Affairs, while for its technical and banking technical aspects, the banks are supervised and guided by BI (Bank of Indonesia) and Bapindo (Indonesia Development Bank) [12]. The number of BPD grew from 2

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banks in 1959 to 27 banks in 2016. Meanwhile, KEPMENDAGRI No. 62 of 1999 concerning organizational guidelines and work procedures for regional development banks article 2 also said that the BPD was built to develop the economy and drive regional development through BPD activities as a Bank.

Financial ratio analysis

Financial ratios are activities comparing the numbers in the financial statements by dividing one number by another. Comparisons can be made between one component and components in one financial report or between components that exist between financial statements. Then the numbers that are compared can be numbers in one period or several periods. In practice, a company's financial ratio analysis can be classified as follows [13]:

1. Balance sheet ratio, which compares numbers that only come from the balance sheet.
2. The ratio of income statement, which is comparing the numbers that only come from the income statement.
3. Ratios between reports, namely comparing numbers from two sources (mixed data), both those that are read and in the income statement (Figure 1 and Table 1).

Research hypothesis

Financial performance between the Regional Development Bank that has been Go Public and Non-go Public, namely BJB Bank and DKI Bank is suspected to have differences.

Research Method

Type of research

The research's design used in this research is comparative analysis, namely research on the financial performance of a particular bank that is processed by researchers from the subject in the form of 2011-2016 annual financial statements [14]. In this study researcher compared the financial performance between PT Bank Pembangunan Daerah Jawa Barat dan BantenTbk. (Bank BJB) and PT Bank Pembangunan DKI (Bank DKI).

Place and time research

This study only used secondary data in the form of annual financial reports from PT Bank Pembangunan Daerah Jawa Barat danBantenTbk. (Bank BJB) and PT Bank Pembangunan DKI (Bank DKI) [15]. The research time is adjusted at the time after the literature study, problem identification, problem formulation, research objectives and benefits, including financial, time, 2011-2016 financial statements.

Data collecting method

The method used in data collection:

1. Literature research method, which is research conducted by collecting data and information needed as a theoretical basis by reading literature, management books, and other sources that support the preparation of this thesis.
2. Secondary data, namely data obtained indirectly because it is taken from intermediary media (data that has been processed by another party). Secondary data in the form of records, profit /loss reports, balance sheets, and financial ratios of banks that have been compiled and processed are then published (Table 2).

Research Results

Classical assumption test results

Classical assumptions test that must be met for a research which uses analysis Independent t-test different size (2 tailed) or different

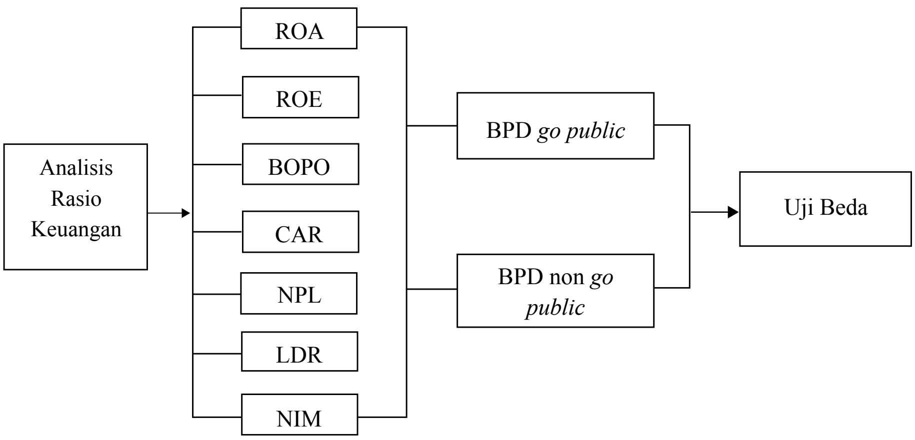

Figure 1: Research conceptual framework.

No.	Researcher	Title	Object	Method	Result
1	Preisdi Yohanes Rondonuwu & Dedy Baramuli	Comparative Analysis of Financial Performance between the Regional Development Bank of North Sulawesi and North Maluku (Period 2010-2014)	Regional Development Bank of North Sulawesi & North Maluku	Independent t-test	The results showed that the company's financial performance (ROA, ROE, CAR, NIM and BOPO) there were significant differences between the two companies. Whereas seen from NPL, LDR and NPM there were significant differences between the two companies.
2	Riska Nurul Fitriani	Analysis Financial Performance before and after the go public	PT Bank Tabungan Negara Tbk.	Independent t-test (2-paired)	The results of the research on the company's financial performance after going public have significant differences for ROE and CAR, while for others it does not have a significant difference.

Table 1: Previous studies.

No	Variable	Concept	Indicator	Value
1	Rentability Ratio	Measuring the company's ability to generate profits from all assets used by the company	Return On Assets (ROA)	ROA=Profit before tax/Average total assets*100%
				Rating criteria according to Bank of Indonesia
				Very healthy predicate: ROA >1.5%
				Healthy predicate: 1.25% <ROA ≤ 1.5%
				Quite healthy predicate: 0.5% <ROA ≤ 1.25%
				Quite unhealthy predicate: 0% <ROA ≤ 0.5%
				Unhealthy predicate: ROA ≤ 0%
2	Rentability Ratio	Measuring the company's ability to generate profits by using (managing) its own capital	Return On Equity (ROE)	ROE=Net profit after tax/Average paid-in capital*100%
				Rating criteria according to Bank of Indonesia
				Very healthy predicate: ROE > 15%
				Healthy predicate: 1.25% <ROE ≤ 15%
				Quite healthy predicate: 5% <ROE ≤ 1.25%
				Quite unhealthy predicate: 0% <ROE ≤ 5%
				Unhealthy predicate: ROE ≤ 0%
3	Rentability Ratio	Measuring the ability of the level of efficeincy and ability of the bank in carrying out its operations	Operational Cost of Operating Income (BOPO)	BOPO=Total operational costs/Total operating income*100%
				Rating criteria according to Bank of Indonesia
				Very healthy predicate: BOPO ≤ 94%
				Healthy predicate: 94% <BOPO ≤ 95%
				Quite healthy predicate: 95% <BOPO ≤ 96%
				Quite unhealthy predicate: 96% <BOPO ≤ 97%
				Unhealthy predicate: BOPO >97%
4	Rentability Ratio	Measuring the ability of a bank to manage all of its productive assets so that it can generate a higher net income	Net Interest Margin (NIM)	NIM=Net interest income/Average earning assets*100%
				Rating criteria according to Bank of Indonesia
				Very healthy predicate: NIM >5%
				Healthy predicate: 2.01% <NIM ≤ 5%
				Quite healthy predicate: 1.5% <NIM ≤ 2%
				Quite unhealthy predicate: 0% <NIM ≤ 1.49%
				Unhealthy predicate: NIM ≤ 0%
5	Solvability Ratio	Measuring bank capital adequacy that serves to provide funds for business development needs and to accommodate the risk of the losses that may be faced by the bank	Capital Adequacy Ratio (CAR)	CAR=Capital bank/Risk-weighted assets*100%
				Rating criteria according to Bank of Indonesia
				Very healthy predicate: CAR >12%
				Healthy predicate: 9% ≤ CAR <12%
				Quite healthy predicate: 8% ≤ CAR <9%
				Quite unhealthy predicate: 6% <CAR <8%
				Unhealthy predicate: CAR ≤ 6%
6	Liquidity Ratio	Measuring the ability of banks to repay withdrawal made by depositors by relying on loans provided as a source of liquidity	Loan to Deposit Ratio (LDR)	LDR= Credit/Third-party funds*100%
				Rating criteria according to Bank of Indonesia
				Very healthy predicate: LDR ≤ 75%
				Healthy predicate: 75% <LDR ≤ 85%
				Quite healthy predicate: 85% <LDR ≤ 100%
				Quite unhealthy predicate: 100% <LDR ≤ 120%
				Unhealthy predicate: LDR >120%
7	Activity Ratio	Measuring the ability of bank management in managing non-performing loans provided by banks	Net Performing Loan (NPL)	NPL=Total problem loans/Total credit*100%
				Rating criteria according to Bank of Indonesia
				Very healthy predicate: NPL <2%
				Healthy predicate: 2% ≤ NPL <3.5%
				Quite healthy predicate: 3.5% ≤ NPL <5%
				Quite unhealthy predicate: 5% ≤ NPL <8%
				Unhealthy predicate: NPL ≥ 8%

Table 2: Operational definition of research variables.

test two free samples are normality and Homogeneity test and the calculation uses SPSS 23.0 for Windows software [16-20].

Kolmogorov-Smirnov normality test

Normality test is done to find out whether the data used in this study is normally distributed or not (Table 3).

From Table 1, the Sig. (2-tailed) for the ratio of financial performance of ROA, ROE, BOPO, NIM, NPL, LDR> 0.05 then H_o (Null Hypothesis) is accepted, the research data is declared to be spread or normally distributed. As for the CAR financial performance ratio Sig. (2-tailed) the value <0.05 H_o (Null Hypothesis) is rejected, that is the research data is declared not to spread or not normally distributed.

Q-Q plot normality test

From the QQ Test results, the plot on the financial ratios of ROA, ROE, BOPO, CAR, NIM, NPL, LDR using SPSS 23.0 for Windows software showed that the distribution of data points for all financial ratios is relatively close to the straight line, so it can be concluded that all variables of financial ratios (data) normally distributed.

Homogeneity test

The Homogeneity test used in this research is the One way Analysis of Variance (One-Way ANOVA) data Homogeneity test of Riduwan [21] (Table 4).

The data in Table 4 showed that the significance values of the variables ROA, ROE, BOPO, NIM, CAR, and LDR are greater than α (0.05), the data of all these variables are homogeneous. Whereas for the NPL variable the significance value smaller than α (0.05) for the NPL variable is considered not homogeneous [22-26].

And based on ANOVA table for the variables ROA, ROE, BOPO, NIM, CAR, and LDR in the overall F value <F table then accept H_o (Null Hypothesis) that there is no significant difference in the variable (homogeneous). Whereas for the NPL variable can get F value >F table (21,414>3,95) then accept H_o (Null Hypothesis) that there is a significant difference in the variable NPL's data.

Group statistics test results

Statistic Group test results are the results of the processing of secondary data of each variable obtained Mean, Standard Deviation and Mean Standard Error values as described in the table below (Table 5).

The Group Statistics Test results in Table 5 can be concluded that the Mean Value for financial ratios of ROA, ROE, NIM, and NPL of BJB Bank has a better ratio than Bank DKI. As for the financial ratios of BOPO, CAR, and LDR, Bank DKI has a better ratio than Bank BJB (Table 6) [27-32].

Variable	Sig.	Results
ROA	0.200	Normal
ROE	0.200	Normal
BOPO	0.200	Normal
CAR	0.026	Tidak Normal
NIM	0.200	Normal
LDR	0.083	Normal
NPL	0.200	Normal

Table 3: Kolmogorov-Smirnov Normality Test.

Variable	Sig.	α (0,05)	F Value	F Table
ROA	0.677	>0.05	0.184	4.95
ROE	0.746	>0.05	0.111	4.95
BOPO	0.628	>0.05	0.25	4.95
NIM	0.939	>0.05	0.006	4.95
CAR	0.204	>0.05	1.848	4.95
LDR	0.987	>0.05	0	4.95
NPL	0.001	<0.05	21.414	4.95

Table 4: Homogeneity test results of research instruments one-way ANOVA test.

No	Variables	Highest Mean Value in Group Statistic Test
1	ROA	Bank BJB
2	ROE	Bank BJB
3	BOPO	Bank DKI
4	NIM	Bank BJB
5	CAR	Bank DKI
6	LDR	Bank DKI
7	NPL	Bank BJB

Table 5: Group statistics test results.

No	Financial Ratio Variable	Test Result
1	ROA	No significant difference
2	ROE	No significant difference
3	BOPO	No significant difference
4	NIM	No significant difference
5	CAR	No significant difference
6	LDR	No significant difference
7	NPL	Significantly Different

Table 6: Hypothesis test result and research discussion.

Hypothesis Test Results and Research Discussion

Return on assets (ROA)

Based on the results of research that has been done showed that there is no significant difference in financial performance between Bank BJB and Bank DKI if measured using ROA. However, the average ROA of Bank BJB is higher than that of Bank DKI. This indicates that the level of efficiency and effectiveness of Bank BJB in generating profits by utilizing assets owned is higher than Bank DKI. This does not prove the allegations in the research hypothesis that has been explained previously that there are significant differences in the ratio of financial performance of ROA between Bank BJB as a going public bank and Bank DKI as non-going public.

Return on equity (ROE)

Based on the results of research that has been done showed that there is no significant difference in financial performance between Bank BJB and Bank DKI if measured using ROE. Based on the test results, the average ROE Bank BJB is higher than the Bank DKI. This indicates that the ability of Bank BJB as a banking company that goes public is considered to be able to increase the value of the company's equity so that the company has an optimal capital structure compared to Bank DKI. Because one of the motivations of the company to go public is to benefit from financial or nonfinancial aspects. This does not prove the allegations in the research hypothesis that has been explained previously that there are significant differences in the ratio of ROE financial performance between BJB Bank as the going public bank and Bank DKI as the non-going public.

Operational costs of operating income (BOPO)

Based on the results of research that has been done showed that there is no significant difference in financial performance between Bank BJB and Bank DKI if measured using BOPO. Obtained an average BOPO Bank BJB value is higher when compared to Bank DKI. This indicates that Bank BJB in running its business activities is less efficient than Bank DKI. This does not prove the allegations in the research hypothesis that has been explained previously that there are significant differences in the ratio of BOPO financial performance between Bank BJB as a going public bank and Bank DKI asnon-going public bank.

Net interest margin (NIM)

Based on the results of research that has been done showed that there is no significant difference in financial performance between Bank BJB and Bank DKI if measured using NIM. Based on the results of the test, the average Bank BJB NIM was higher than the Bank DKI. This indicates that the level of ability of the Bank BJB as a banking company that has gone public in earning a profit from interest is higher than that of Bank DKI. This does not prove the assumption in the research hypothesis that has been explained previously that there are significant differences in the ratio of financial performance of NIM between Bank BJB as the going public bank and Bank DKI as the non-going public.

Capital adequacy ratio (CAR)

Based on the results of research conducted showed that there are no significant differences in financial performance between Bank BJB and Bank DKI if measured using CAR. However, the average CAR of DKI Bank is higher when compared to BJB Bank. This indicates that the ability of Bank DKI to bear the risk of any productive credit/assets that are at higher risk than the BJB Bank. This does not prove the allegations in the research hypothesis that has been explained previously that there are significant differences in the ratio of CAR financial between Bank BJB as the going public bank and Bank DKI as the non-going public.

Loan to deposit ratio (LDR)

Based on the results of research that has been conducted shows that there is no significant difference in financial performance between Bank BJB and Bank DKI if measured using LDR. However, the average Bank BJB LDR is lower than that of Bank DKI. This indicates that the level of ability of the Bank BJB to meet financial obligations that must be immediately fulfilled is lower than that of Bank DKI. This does not prove the allegations in the research hypothesis that has been explained previously that there are significant differences in the ratio of LDR financial performance between Bank BJB as the going public bank and Bank DKI as the non-going public.

Non-performing loan (NPL)

Based on the results of research that has been conducted showed that there are significant differences in financial performance between BJB Bank and DKI Bank if measured using NPL. Based on the results of the test, the average BJB Bank NPL value is lower than that of Bank DKI, which means that the percentage of Bank BJB's non-performing loans is lower than Bank DKI. This is indicated because Bank BJB is a publicly traded banking company that is efficient in managing credit will result in the amount of investment that will be carried out by investors in the BJB Bank. The more efficient in managing credit, the more investors will trust to invest in BJB Bank. This does not prove the allegations in the research hypothesis that has been explained previously that there are significant differences in the ratio of NPL financial performance between Bank BJB as the going public bank and Bank DKI as the non-going public.

Conclusion and Recommendation

Conclusion

From the data processing carried out in this study produced some conclusions as follows:

a. Overall the results of this study indicate that PT Bank Pembangunan Daerah Jawa Barat and Banten, Tbk. (Bank BJB) and PT Bank Pembangunan Daerah DKI Jakarta (Bank DKI) for the period of 2011 to 2016 have relatively good financial performance. Bank BJB's financial performance is higher when viewed from ROA, ROE, NIM, and NPL. While the financial performance of Bank DKI is higher when viewed by BOPO, CAR, and LDR on average.

b. Based on the results of the Independent Sample t-test statistical test, it can be seen that the ROA, ROE, CAR, BOPO, NIM, and LDR ratios of the two banks did not have a significant difference while the NPL ratio contained significant differences.

Recommendations

Based on the findings of the study, it is recommended that both banks be as follows:

a. Bank BJB must further optimize its business from other banking services that are non-interest income (fee based income) such as provision fees, transaction fees for banking services charged to customers in relation to the bank products and services it enjoys, so far the BJB Bank's profits are still relying on credit interest results.

b. In addition to making efforts to improve and prevent the occurrence of new NPLs, DKI Bank must also pay attention to the facilities and infrastructure of business support that need to be up grade immediately especially Information and Technology (IT) and office buildings. It is expected that these improvements can increase third party funds.

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