

**EVALUATING THE PERFORMANCE OF STATE OWNED
BANKS AND PRIVATE FOREIGN BANKS IN INDONESIA
DURING 2000- OCTOBER 2005**

A THESIS

Presented as Partial Fulfillment of the Requirements
to Obtain the Bachelor Degree in Accounting Department



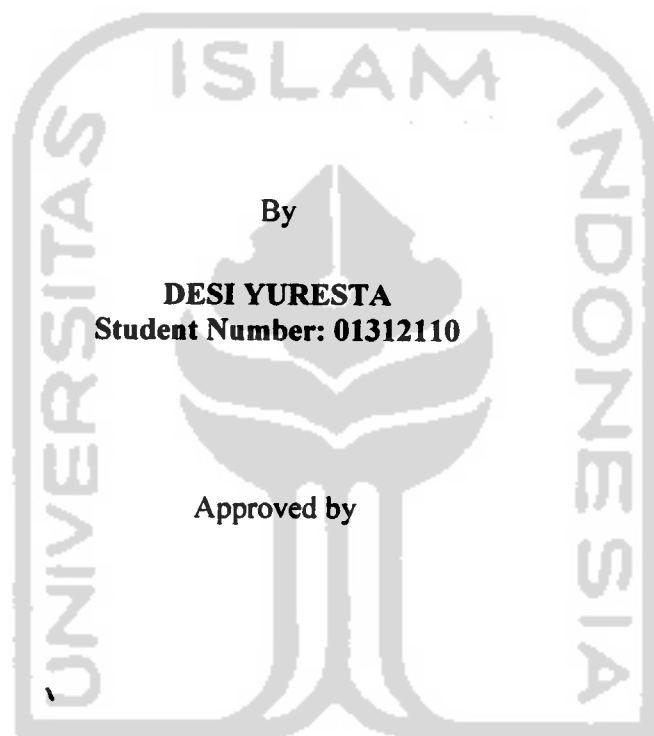
By

DESI YURESTA

Student Number: 01312110

**DEPARTMENT OF ACCOUNTING
INTERNATIONAL PROGRAM
FACULTY OF ECONOMICS
ISLAMIC UNIVERSITY OF INDONESIA
2006**

**EVALUATING THE PERFORMANCE OF STATE OWNED
BANKS AND PRIVATE FOREIGN BANKS IN INDONESIA
DURING 2000- OCTOBER 2005**

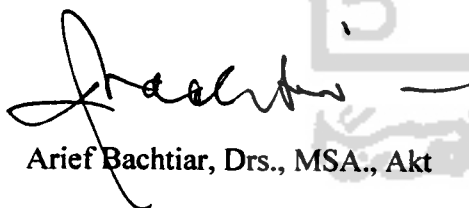


By

DESI YURESTA
Student Number: 01312110

Approved by

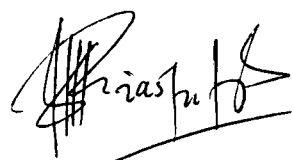
Content Advisor,



Arief Bachtiar, Drs., MSA., Akt

March 3, 2006

Language Advisor,



Anita Triastuti, S.Pd., MA

March 8, 2006

**EVALUATING THE PERFORMANCE OF STATE OWNED
BANKS AND PRIVATE FOREIGN BANKS IN INDONESIA
DURING 2000- OCTOBER 2005**

A BACHELOR DEGREE THESIS

By
DESI YURESTA
Student Number: 01312110

Defended before the Board of Examiners
on March 27, 2006
and Declared Acceptable

Board of Examiners

Examiner 1

Syamsul Hadi, Drs., MS, Akt

March 27, 2006

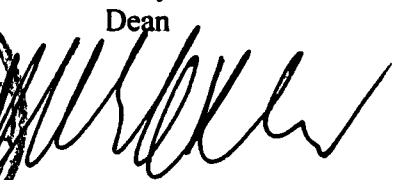
Examiner 2 / Content Advisor,

Arief Bachtiar, Drs., MSA., Ak

March 27, 2006

Yogyakarta, March 27, 2006
International Program
Faculty of Economics
Islamic University of Indonesia
Dean




Drs. Suwarsono, MA.

STATEMENT OF FREE PLAGIARISM

Herein I declare the originality of this thesis; there is no other work which has never presented to obtain any university degree, and in my concern there is neither one else's opinion nor published written work, except acknowledgement quotation relevant to the topic of this thesis which have been stated or listed on the thesis bibliography.

If in the future this statement is not proven as it supposed to be, I am willing to accept any sanction complying to the determinated regulation for its consequence.

Yogyakarta, March 2006

Desi Yuresta



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

“... Verily never will Allah change the condition of a people until they change it themselves (with their own souls)...”
(Al Ra'd: 11)

“When you make a mistake, don't look back at it long. Take the reason of the thing into your mind and then look forward. Mistakes are lessons of wisdom.”
(Hugh White)

“Keep working hard and you can get anything you want. But don't think it's going to be easy. It's hard!”
(Aaliyah)

“Every cloud has a silver lining”
(anonym)

I dedicated this thesis for my parents, my husband, and my daughter

ACKNOWLEDGEMENT

Alhamdulillah hirobbil Alamin, praise to Allah Swt for all strength, health, inspiration, and blessings given to me which enabled me to complete this study. This could not have been possible without His will and mercy. There is no word to say except “Alhamdulillah...ya robbi, finally.. I did it.” Many people have given valuable inputs in the development of this thesis. I would like to use this opportunity to express my sincere appreciation to those who gave contribution to the completion of this thesis.

My sincere appreciation goes to Mr. Arief Bachtiar, Drs, MSA., Akt, my content advisor, for his helpful, comments, advice and insight during my thesis writing. Then I must say special thank to Mbak Anita Triastuti, S.Pd., MA, my language advisor, for her encouragement and assistance. I mostly appreciate her efforts and contributions in correcting the language used in my thesis.

I also would like to extend my appreciation to Drs. Asmai Ishak, M.Bus., Ph.D as Director of International Program. And I would like to express my sincere appreciation to all my Lectures, for transferring knowledge and always pushing me to learn more about how to be a good accountant. Mr. Erwanto, Miss. Ilham as academic staffs of International program thank for all helps, support, and co-operation during my study in International program.

9. My friends in Economics'01: Aris ndut "thanks ya...", Gangga "si mbah", Rahma "when we will go to kids fun?", Lita, Angel, Brahm. Thanks for your friendship.

10. Special thanks to Erlinda P, my classmate in psychology UGM'02. thanks for helping me to keep survive in psychology.

Finally, my high appreciation to my parents, Setyo Buwono and Rochyati, for their patient, continuous supports, encouragements and efforts for which I am truly grateful. To whom I dedicate this thesis.

Yogyakarta, March 2006

Desi Yuresta

TABLE OF CONTENTS

PAGE OF TITLE.....	i
APPROVAL PAGE.....	ii
LEGALIZATION PAGE.....	iii
STATEMENT OF FREE PLAGIARISM.....	iv
DEDICATION PAGE.....	v
ACKNOWLEDGEMENT.....	vi
TABLE OF CONTENTS.....	ix
LIST OF TABLES.....	xiii
LIST OF FIGURE.....	xiv
LIST OF APPENDICES.....	xv
ABSTRACT.....	xvi
ABSTRAK.....	xvii
 CHAPTER I: INTRODUCTION	
1.1. Background of the Study.....	1
1.2. Problem Identification.....	3
1.3. Problem Formulation.....	3
1.4. Limitation of Research Area.....	4
1.5. Research Objectives.....	4

1.6.	Research Contribution.....	4
1.7.	Definition of Terms.....	5

CHAPTER II: REVIEW OF RELATED LITERATURE

2.1.	Concept of Bank.....	7
2.1.1.	Commercial Bank.....	8
2.1.2.	Bank Management.....	11
2.2.	Financial Statements.....	13
2.3.	The CAMEL Method.....	14
2.4.	Previous Research.....	16
2.5.	Hypothesis Formulation.....	19

CHAPTER III: RESEARCH METHOD

3.1.	Research Method.....	21
3.2.	Population.....	21
3.3.	Type and Source of the data.....	23
3.4.	Research Variable.....	23
3.4.1.	CAR.....	23
3.4.2.	Quality of Productive Assets.....	23
3.4.3.	NPM.....	24
3.4.4.	ROA.....	24

3.4.5. Operating Efficiency Ratio.....	24
3.4.6. LDR.....	25
3.4.7. CML.....	25
3.4.8. CAMEL Score	25
3.5. Research Model.....	26
3.6. Formulated Hypothesis.....	26
3.7. Hypotheses Testing.....	28

CHAPTER IV: RESEARCH FINDINGS, DISCUSSIONS AND IMPLICATIONS

4.1. Research Descriptions.....	30
4.1.1. Research Preparation.....	30
4.1.2. Research Process.....	30
4.2. Research Findings and Discussions.....	31
4.2.1. Descriptive Statistics.....	34
4.2.2. The Hypothesis Testing	32
4.3. Research Implication.....	36

CHAPTER V: CONCLUSIONS AND RECOMMENDATION

5.1. Research Conclusions.....	42
5.2. Research Limitations.....	43

5.3. Research Recommendations..... 43

BIBLIOGRAPHY..... 44



LIST OF TABLES

Table 4.1	Descriptive Statistics.....	31
Table 4.2	The Result of Mean Difference.....	33
Table 4.3	The Mean Difference Result of CAMEL.....	35
Table 4.4	Summary of Result.....	36



LIST OF FIGURES

Figure 3.1 **The Research Model..... 26**



ABSTRACT

Yuresta, Desi (2006). Evaluating The Performance of State Owned Banks And Private Foreign Banks In Indonesia During 2000-October 2005. Yogyakarta. Faculty of Economics. Islamic University of Indonesia.

This research aims to evaluate and compare the performance of state-owned banks and private foreign banks in Indonesia for the period of 2000-October 2005 by using the CAMEL method. CAMEL is one method to evaluate the banks performance. In CAMEL method we evaluated five aspects: Capital, Assets, Management, Earnings, and Liquidity.

In this research capital is proxy with CAR, Assets is represented by BDR and Classified Assets Reserves, Management is proxy with NPM, Earnings are scoring with ROA and Operating Efficiency Ratio, and liquidity is represented by LDR and CML.

This research applies linear regression model of the CAR, BDR, Classified Assets Reserves, NPM, ROA, Operating Efficiency Ratio, LDR and CML as the independent variables and CAMEL score as the dependent variable. The result of this research shows that that only Classified Assets reserves, ROA, Operating Efficiency Ratio and CML that have a significant difference in performance of state-owned banks and private foreign banks. Moreover, CAR, BDR, NPM, and LDR variables are insignificant. The CAMEL score between state-owned banks and private foreign banks is also insignificant. It seems that the banks performance between those two banks is not different. It may happen because Bank Indonesia has set up a special regulation to maintain the bank performance in Indonesia.

Key Words: CAMEL, Banks performance.

ABSTRAK

Yuresta, Desi (2006). Evaluasi Kinerja Bank BUMN dan Bank Swasta Asing di Indonesia Selama Tahun 2000-Oktober 2005. Yogyakarta. Fakultas Ekonomi. Universitas Islam Indonesia.

Penelitian ini bertujuan untuk mengevaluasi dan membandingkan kinerja dari bank-bank BUMN and bank swasta asing di Indonesia selama periode tahun 2000-Oktober 2005 dengan menggunakan metode CAMEL. CAMEL adalah salah satu metode untuk mengevaluasi kinerja bank. Dalam metode CAMEL kita mengevaluasi lima aspek, yaitu: Modal, Aktiva, Manajemen, Rentabilitas, dan Likuiditas.

Dalam penelitian ini aspek modal diproksikan dengan CAR, aktiva direpresentasikan dengan BDR dan Cadangan Aktiva yang diklasifikasikan, Manajemen diproksikan dengan NPM, rentabilitas dinilai dengan ROA dan BOPO, dan likuiditas direpresentasikan dengan LDR dan CML.

Penelitian ini dilakukan memakai model regresi linier dengan CAR, BDR, Cadangan Aktiva yang Diklasifikasikan, NPM, ROA, BOPO, LDR dan CML sebagai variabel independent dan skor CAMEL sebagai variabel dependen. Hasil penelitian ini menunjukkan hanya variabel Cadangan Aktiva yang Diklasifikasikan, ROA, BOPO, dan CML yang mempunyai perbedaan yang signifikan. Sedangkan variabel CAR, BDR, NPM, dan LDR tidak menunjukkan perbedaan yang signifikan. Skor CAMEL diantara bank BUMN dan bank swasta asing pun tidak menunjukkan perbedaan yang signifikan. Hal ini menunjukkan bahwa kinerja diantara kedua bank tersebut tidaklah berbeda. Hal ini dimungkinkan karena Bank Indonesia sudah menetapkan peraturan-peraturan khusus untuk memelihara kinerja bank-bank di Indonesia.

Kata kunci: Metode CAMEL, Kinerja Perbankan.

CHAPTER I

INTRODUCTION

1.1. Study Background

Commercial banks have important roles in economy because they act as financial intermediary in the economic system. The main function of commercial bank as financial intermediary is collecting money as deposits and making commercial loans.

Banks also represent a vital link in the transmission of government economic policy, especially in monetary policy, to the remainder of the economy. Bank deposits represent the most significant component of the money supply used by public (Rose-Kolari, 1995). Because of the function of bank as financial intermediary, trust becomes very important. People will not deposit their money in bank if they do not trust it. That is why evaluating bank performance is important.

Measuring performance becomes important because financial performance can help identify the company's condition and their prospect in the future. Beaver (in Yogyanto, 2000) conducted a study about company's susceptibility of bankruptcy five years before the company had financial difficulties. Altman (in Yogyanto, 2000) also did a similar study to identify healthy and unhealthy bank, and found a significant relation between financial ratio and bankruptcy.

Bank performance is related to liquidity. Higher liquidity means better performance. If the performance of a bank is good, people would like to choose the bank.

One way to measure bank performance is using a CAMEL method. In the CAMEL method we evaluate five aspects: Capital, Asset, Management, Earnings, and Liquidity.

BIS (Bank for International Settlement), an international organization which fosters international monetary and financial cooperation and serves as a bank for central banks, have set CAMEL as the standard measurement for bank performance. This has become guidance all around the world.

In 1997, our country had suffered from economic crisis. This crisis has been affecting our economic condition. Economy has become unstable and has influenced business sector, including banking business. Consequently, the crisis has also affected bank performance. The performance had been becoming worse and even forced the government to establish BPPN (Badan Penyehatan Perbankan Nasional) in 1998 to restructure the unhealthy banks. At that time there were many banks categorized as unhealthy banks because of their low liquidity.

During 1998-1999 BPPN liquidated and took over many banks, not only private-owned but also state-owned bank. Even four state-owned banks were merged into one bank. The reason behind all of this action is to increase the

performance of the bank. In addition, evaluating bank's financial performance is very important to stockowners, depositors, investors, bank managers and public.

1.2. Problem Identification

Banking industry is very crucial in an economy. That is why we should be aware of the growth of these industries. It is useless if the business is growing fast, but the performance is not satisfactory. The bank performance becomes our indicator to know whether the bank is good or not.

The performance may differ between one bank to another. The state-owned banks performance may differ from the one of private foreign banks. This research has objectives to evaluate the performance of state owned banks and private foreign banks in Indonesia.

1.3. Problem Formulation

Based on the explanation in the background of this study, the main problem here is whether there is a significant evidence of mean differences in performance (CAMEL) between state-owned bank and private foreign bank in Indonesia within 2000- October 2005.

1.4. Limitation of Research Area

This research has several limitations. The limitations are:

- 1) Populations used are state-owned bank and private foreign bank that published their financial report in media, whether in newspapers, internet, in directory of Bank Indonesia or in Indonesian Banking Statistics.
- 2) The accounting period of the bank should end in December 31 to avoid the partial time effect in counting the financial ratio.
- 3) This research is using CAMEL method to measure the performance of state owned bank and private foreign bank.

1.5. Research Objectives

The objectives of this research are to evaluate and compare the financial performance of state-owned bank and private foreign bank in Indonesia using the CAMEL method.

1.6. Research Contribution

This research will give some contribution to the following parties:

- 1) For the stockowners, bank management, depositors, and economist, this research can give information about the performance of state-owned bank and private foreign bank in Indonesia.

- 2) For students, this research can contribute additional information on previous study and could be a reference for the next research.

1.7. Definition of Terms

The purpose of this definition of terms is to help the readers understand this research.

- 1) **Financial Performance**

Financial performance is a management initiative to upgrade the accuracy and timeliness of financial information. Meeting requirements and standards, while supporting day-to-day operations, is central to this initiative. Areas of emphasis include reducing erroneous payments and strengthening the management of government-held assets (www.pfc.ca).

- 2) **Financial Statements**

Financial statements is an accounting statement outlining financial data, including income for all sources, expenses, assets and liabilities. There are five forms of financial statements: balance sheet, income statement, statement of owners' equity, cash flow statement and some necessary notes (www.pfc.ca).

- 3) **Liquidity**

Liquidity means the ease of selling the assets and converting it to cash at a "fair market value" (Bergevin, 2002)

4) CAMEL

CAMEL is an abbreviation of Capital Assets Management Earning and Liquidity. CAMEL is one method to evaluate bank performance. CAMEL has a score; therefore, we can evaluate the position of the bank, whether it is healthy or unhealthy.



CHAPTER II

REVIEW OF RELATED LITERATURE

Review of related literature gives many explanations about the relevant theories toward this research and to reconsider about the previous studies. Parts of this chapter elaborate more about concept of bank, financial statement and CAMEL method. Previous studies and hypothesis will also be explained in this chapter.

2.1. Concept of Bank

According to Prof. G.M. Veryn Stuart (Bank Politic) banks are financial institution that aims to give credit, either with its own money or money that comes from other parties.

According to law no. 7 year 1992, banks are financial institutions that have activities in funding and lending money in a society in order to increase society's welfare. Therefore, bank is a financial institution that acts as financial intermediary in the society in order to increase the society's welfare.

A bank in the usual and traditional sense is a financial institution offering two major services to the public: (1) transaction accounts, (2) direct loans to businesses, individuals and other institutions.

Beside those major services, banks also offer other services, such as: time and savings deposits, equipment leases, credit life insurance, financial advice and

counseling, safe keeping of valuables, the transfer of securities, credit guarantees, and underwriting of customer-issued securities (Rose-Kolaris 1995:152).

There are many kinds of bank in Indonesia. According to Banking law no. 7 year 1992 and law no. 10 year 1998, banks are classified into two categorized :

1. Commercial bank (“Bank Umum”)
2. “Bank Perkreditan Rakyat” (BPR)

Based on owners’ aspect, banks are classified into:

1. State – owned bank
2. Private domestic bank
3. Cooperative bank
4. Private foreign Bank
5. Joint venture Bank

2.1.1. Commercial Bank

A commercial bank is one type of bank. It raises funds by collecting deposits from businesses and consumers via checkable deposits, savings deposits, and time deposits. It makes loans to businesses and consumers. It also buys corporate bonds and government bonds. Its primary liabilities are deposits and primary assets are loans and bonds (www.wikipedia.org).

Commercial bank according to law no. 10 year 1998 is a bank that does its activities conventionally or base on syariah principle and the activities is giving services in payment.

According to Rose-Kolari (1995:733) a commercial bank is a financial institution that accepts demand deposits and makes commercial loans as well as offering the widest array of services of any financial institution.

Commercial banks now offer various kinds of services than other financial institution, the services offered by commercial banks are: (Rose-Kolari, 1995:156)

1. Expand the money supply through loans and investments.

Commercial banks have the capacity to create money in the disguise of new deposits by granting credit to borrowers.

2. Provide an outlet for the savings of business, households, and governmental units.

Commercial banks provide an outlet for savings set aside by the public out of current income by offering financial assets with attractive rates of return.

3. Offer a means of payment for purchases of goods and services.

Demand deposits (checking account) offered by banks serve as the principal medium of exchange which to purchase goods and services.

4. Provide Fiduciary (trust) services to customers.

The trust function consists of managing accumulated assets and financial affairs of an individuals or institution for the benefit of that particular customer.

5. Supply International Financial Services.

Commercial banks provide essential financial services for their business customers involved in international trade and finance.

6. Provide Investment Banking Services.

Investment bankers advise their corporate clients on when and how to bring new security issues to market and frequently underwriter those security issues, purchasing them from the issuing company in the market.

With those many services that are offered, bank has influence the economic and financial well-being. In the future, banks are expected to provide more services in financial sector.

As a commercial Institution, the objective of banks is to get profit. The profit of commercial banks is from the spread of interest. The profit also can be from the other services that banks fund.

In funding their operational cost, banks have several fund resources.

1. Fund from own capital

The fund resource is from capital. Banks capital can be divided as:

- a. Capital from the stockholders
- b. Reserve funds
- c. Retained Earning

2. Fund from the society

This fund resource is the most important for bank and it becomes the measurement of the bank's success if bank can fund its operational activities from this fund.

Fund from the society can be easily collected either from deposits or from current account. The advantages from this fund are easy to collect and the amount is unlimited.

3. Fund from other institution.

This kind of fund can be collected either from:

- a. central bank, or
- b. call money from other bank

2.1.2. Bank Management

According to Martono (2003:50) there are 4 (four) kinds of Bank Management system.

1. Unit Banking System
2. Branch banking system
3. Mixed system

Unit Banking System

Unit Banks single office institution primarily serving their local communities.

Characteristic of unit banking system are :

- a. Relatively small organization
- b. The Operational scope is limited.
- c. Delegation of authority is limited
- d. Procedure of credit usually easier

Branch Banking System

A branch banking system is a banking system where bank have one head office and several branch with united management and decentralized authority.

Characteristics of branch banking system:

- a. Big organization, large scope of operations
- b. The head office coordinates branches in operations
- c. Line and staff organization system
- d. Delegation of authority

Group and Chained Banking System

Group and chain banking system is a banking system where several banks join and it lead by the large bank.

Characteristics of group banking system:

- a. Mutual management policies

- b. Mutual programs of operation

Mixed System

This system is a mixing between unit banking system and branch banking system.

Characteristics of mixed system:

- a. Head office bank giving special authority to main branch bank (as a unit)
- b. Head office bank also delegates special authority to foreign branches

2.2. Financial Statements

Financial Statements is an accounting statement detailing financial data, including income for all sources, expenses, assets and liabilities. A financial statement may also be an itemized accounting that shows how grant funds were used by a donee organization (www.pfc.ca).

Bergevin (2002:570) defined financial statements as corporate reports and related notational disclosures that summarize economic activities.

There are four kinds of financial statements that usually made by a company; balance sheet, income statement, statement of shareholders' equity, and statement of cash flows.

Generally, the objectives of financial statements are (Martono, 2003:62-63) :

1. to give financial information about assets, liabilities, and equity in certain period.

2. to give information about revenues and expenses in a certain period.
3. to give information about changes in assets, liabilities and equity.
4. to give information about the management performance in a certain period.

The function of financial statements is not only to give information about financial condition but also can be use to analyze the performance of a company.

Financial statements are use by several parties to evaluate the condition of a company. The stockholders, government, society, employee, management are some of the parties that are interested in the financial statements.

The stockholders are the party that mostly relies in financial statement because they should concern with the company's progress. How much the profit that a company earns is the main question in the stockholders' mind. They can easily get the information from the financial statement.

2.3. The CAMEL Method

We can use several methods to evaluate a banks performance, one of it is by using CAMEL method. BIS (Bank for International Settlement) have set CAMEL as a standard for measuring the bank's performance, and this becomes guidance all around the world.

Originally, CAMEL method was devised as a supervision tool. Regulators assess the financial condition of banks through on-site and off-site surveillance. They rely on two analytical tools for off-site surveillance: supervisory screens and econometric models. Supervisory screens are the combination of financial ratios that have in the past given forewarning of safety and soundness problems. Econometric models use sets of variables from banks' financial statements and economic environment to compute the probability that a bank will fail in the future (Said-Saucier,2003:5).

In CAMEL method, five aspects are evaluated, they are Capital, Assets, Management, Earnings and Liquidity. CAMEL thus provides a measurement of a bank's current overall financial, managerial, operational and compliance performance.

1. Capital

In this aspect, we evaluate performance based on CAR or Capital Adequacy Ratio. It is a ratio of solvency. Minimum CAR has been designed to ensure bank can absorb a reasonable level of losses before becoming insolvent. The higher the CAR, the greater the level of unexpected losses it can absorb before becoming insolvent.

2. Assets

This aspect is an evaluation for the assets quality owned by the bank. A high ratio is supposed to mean a bad quality of assets, but in fact it depend on whether information is correctly revealed.

3. Management

While the other aspect can be quantifies easily from current financial statements, management quality is a somewhat elusive and subjective measure.

4. Earnings

Earnings show us profitability aspect. In this aspect, we evaluate the ability of a bank in earn profit and efficiency of the business.

5. Liquidity

Perfect liquidity implies that liabilities ranked by maturity be matched by corresponding assets (Said-Saucier, 2003).

2.4. Previous Research

Several studies have been conducted to examine the usage of financial ratio to measure the performance. Lawder (in Sumarta-Yogiyanto, 2000) said that financial ratio could express the relation between two numbers. This gives absolute and quantitative relation.

Several researches showed that financial ratio could be used to predict bankruptcy (Altman 1968; Sinkey 1975; Dambolera and Khoury 1980; Thomson 1991 in Sumarta-Yogiyanto, 2000), predict the growth of profit (Freeman et al. 1982; Ou 1990; Penman 1992; Machfoedz 1994; Zainuddin and Jogiyanto 1999 in Sumarta-Yogiyanto, 2000).

Altman (in Sumarta and Yogiyanto, 2000) conducted a study to identify the healthy bank and unhealthy bank; and found significant relation between financial ratio and bankruptcy.

Sumarta and Yogiyanto (2000) also stated Beaver's study (1966) that conducted a study about company's susceptibility of bankruptcy five years before the company is having financial difficulties.

Berger and Davies (in Hirtle-Lopez, 1999) examined the information content of CAMEL ratings by testing for stock price reactions when new ratings are assigned. Despite the fact that CAMEL ratings are confidential, the authors find that rating downgrades seem to lead to negative excess to stock return. They interpret this result as evidence that examinations generate valuable private information and that rating downgrades reveal unfavorable private information about bank conditions.

Similarly, DeYoung, Flannery, Lang, and Sorescu (in Hirtle-Lopez, 1999) found that CAMEL ratings contain information useful to the market for subordinated, bank holding company debt.

Whalen and Thomson (in Sumarta and Yogyanto, 2000) conducted a study to examine the accuracy of CAMEL in making banks' rating. They found that CAMEL is accurate in arrange bank's rating. Payamta and Machfoedz (in Sumarta-Yogyanto, 2000) conducted a study use CAMEL variables to evaluate banks performance before and after go public in Jakarta Stock Exchange and found that there is no significant performance before and after go public.

Hirtle-Lopez (1999) also stated the Barker and Holdsworth's study (1993) that find evidence that CAMEL ratings are significant predictors of bank failure, even after controlling for a wide range of publicly available information about the condition and performance of banks.

Zainuddin and Jogiyanto (1999) found that CAMEL variables are significant to predicting bank's profit a year after. Said and Saucier (2003) found that CAMEL has given significant results to explain bank's distress in Japan.

Sumarta and Yogyanto (2000) evaluated the performance of Indonesian banks and Thailand banks and found significant differences between banks performance in Indonesia and Thailand. The overall result is Indonesian banks has better performance than Thailand banks.

Anggraeni (2004) conducted a research to examine performance before and after divested using CAMEL variables and found significant difference between the performance before divested and after divested.

Lacewell (2003) conducted a study to examine the relationship between the bank's strong ratio and the strong efficiency scores. The finding shows that there is a high-degree of consistency between banks with strong financial ratios and banks that are rated highly efficient.

2.5. Hypothesis Formulation

Based on the theory above and the previous research, the null hypotheses for each CAMEL aspect are:

H1a : there is no significant difference between CAR in state owned bank and private foreign bank in Indonesia.

H1b : there is no significant difference between Quality of Productive Assets (BDR and Classified Assets Reserves) in state owned bank and private foreign bank in Indonesia.

H1c : there is no significant difference between NPM in state owned bank and private foreign bank in Indonesia.

H1d : there is no significant difference between EARNINGS (ROA and Operating Efficiency Ratio) in state owned bank and private foreign bank in Indonesia.

H1e : there is no significant difference between LIQUIDITY (LDR and CML) in state owned bank and private foreign bank in Indonesia.

Whalen and Thomson (1988) as quoted in Sumarta and Yogyanto (2000) examined CAMEL financial ratio in making banks' rating and found that CAMEL

financial ratio is accurate. In examining the bank performance in this research, we should compare the CAMEL performance of state owned bank and private foreign bank. Therefore the null hypothesis of the performance is:

H_2 : there is no significant difference between performance (CAMEL) in state-owned bank and private foreign bank in Indonesia.



CHAPTER III

RESEARCH METHOD

This chapter gives more explanation about the research. It will explain the population of the data, the source of the data, and the variables of the research. The technique of data analysis and the hypotheses testing will also be explained in this chapter.

3.1. Research Method

The method that is used in this research is the purposive sampling method. In this method, the sample was found based on the core variable representing this research. Purposive sampling method is a technique of taking samples based on certain considerations, namely considerations on the basis of the purpose of the research (Sugiono, 1999 in Erisandi, 2005). This research is emphasized on evaluating banks performance using CAMEL method.

3.2. Population

The population of this research was state-owned banks and foreign banks in Indonesia from 1999 until 2004. This research took all of the population of 15 banks; consisting of 5 state-owned banks and 10 foreign banks.

The list of population is:

- State-owned banks

- 1) Bank Negara Indonesia (BNI)
 - 2) Bank Ekspor Indonesia
 - 3) Bank Mandiri
 - 4) Bank Rakyat Indonesia (BRI)
 - 5) Bank Tabungan Negara (BTN)
- Private foreign banks
 - 1) ABN Amro Bank
 - 2) American Ekspress Bank
 - 3) Bank of America
 - 4) Citibank
 - 5) Deutsche Bank
 - 6) Standard Chartered Bank
 - 7) The Bangkok Bank
 - 8) The Bank of Tokyo-Mitsubishi
 - 9) The Chase Manhattan Bank
 - 10) The Hongkong & Shanghai BC (HSBC)

Moreover, there is an additional bank from the year 2003:

- 11) Bank of China Limited

3.3. Type and Source of the Data

This research was conducted by using all relevant secondary data which were collected from the various reliable sources, such as directory of Bank Indonesia,

website in internet or newspapers. Data collection and the sources of data were taken from Indonesian Banking Statistics and Bank Indonesia's website.

3.4. Variables

3.4.1. CAR

Minimum CAR has been designed to ensure that bank can absorb a reasonable level of losses before becoming insolvent. The higher the CAR, the greater the level of unexpected losses it can absorb before becoming insolvent.

$$CAR = \frac{\text{Equity Capital}}{\text{"Aktiva Terimbang Menurut Risiko (ATMR)"}} \times 100\%$$

3.4.2. Quality of Productive Assets

Quality of productive assets is represented by BDR (Bad Debt Ratio) and Classified Assets Reserves.

$$BDR = \frac{\text{Classified Productive Assets}}{\text{Total Productive Assets}} \times 100\%$$

$$\text{Classified Assets Reserves} = \frac{\text{Elimination Of Productive Assets}}{\text{Obligated Elimination Of Productive Assets}} \times 100\%$$

3.4.3. NPM

Management aspect in this research is not scoring by questioner, but proxy with Net Profit Margin (NPM) of the bank because the objective of all management activities is to earn profit.

$$NPM = \frac{NetOperatingIncome}{OperatingIncome} \times 100\%$$

3.4.4. ROA

Earnings are scoring with ROA and operating efficiency ratio. ROA is the ratio of operating income to total assets. ROA measures the bank's ability in making profit and efficiency in their operating activity.

$$ROA = \frac{OperatingIncome}{TotalAssets} \times 100\%$$

3.4.5. Operating Efficiency Ratio

Operating efficiency ratio is used to measure operational expenses comparing to the operational revenues. The lower the ratio, the better will be the efficiency.

$$\text{OperatingEfficiencyRatio} = \frac{\text{TotalOperatingExpenses}}{\text{TotalOperating Revenues}} \times 100\%$$

3.4.6. LDR

Liquidity is represented by LDR and CML. LDR measures banks ability in fulfilling their liabilities. The higher the LDR, the higher will be the liquidity.

$$\text{LDR} = \frac{\text{TotalLoan}}{\text{TotalDeposits}} \times 100\%$$

3.4.7. CML

CML is net call money to current assets ratio. Net call money comes from the differences between call money transaction volume that are given by a bank with call money transaction volume that is received from other bank. The lower the ratio CML, the better the liquidity is.

$$\text{CML} = \frac{\text{CallMoney}}{\text{CurrentAssets}} \times 100\%$$

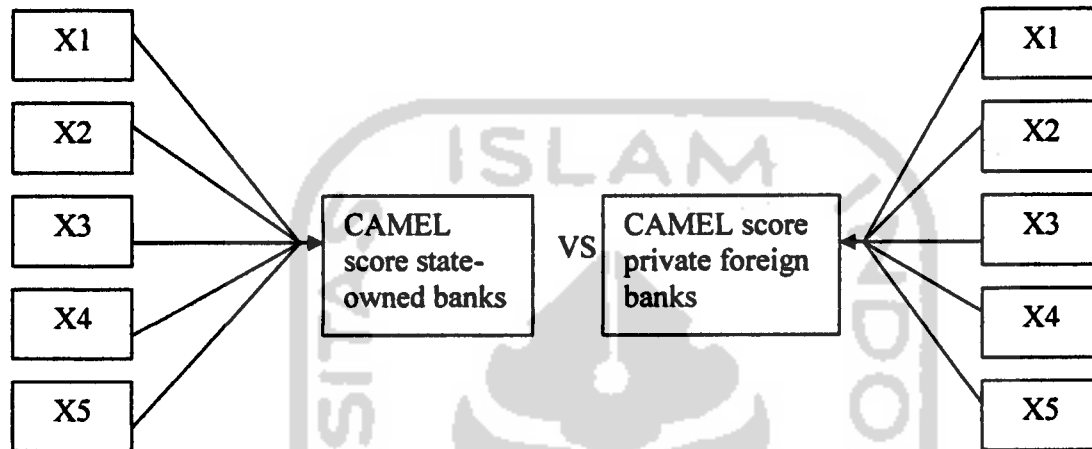
3.4.8. CAMEL Score

The CAMEL score can be calculated using the following formula:

$$\text{SCORE (CAMEL)} = 0.25 \text{ CAR} + 0.25 \text{ BDR} + 0.05 \text{ Classified Assets Reserves} + 0.25 \text{ NPM} + 0.05 \text{ ROA} + 0.05 \text{ operating efficiency ratio} + 0.05 \text{ CML} + 0.05 \text{ LDR}$$

3.5. Research Model

**FIGURE 3.1
THE RESEARCH MODEL**



X1 represents Capital (CAR).

X2 represents Quality of Productive Assets.

X3 represents Management (NPM).

X4 represents Earning (ROA and Operating Efficiency Ratio).

X5 represents Liquidity (LDR and CML).

3.6. Formulated Hypothesis

Based on the problem statements and the review of the related literature, the alternative hypothesis and the null hypothesis that are proposed in this research are:

- 1) H_0 = there is no significant difference between CAR in state owned banks and private foreign banks in Indonesia.

Ha = there is a significant difference between CAR in state owned banks and private foreign banks in Indonesia.

- 2) Ho = there is no significant difference between BDR in state owned banks and private foreign banks.**

Ha = there is a significant difference between BDR in state owned banks and private foreign banks.

- 3) Ho = there is no significant difference between Classified Assets Reserves in state owned banks and private foreign banks.**

Ha = there is a significant difference between Classified Assets Reserves in state owned banks and private foreign banks.

- 4) Ho = there is no significant difference between NPM in state owned banks and private foreign banks in Indonesia.**

Ha = there is a significant difference between NPM in state owned banks and private foreign banks in Indonesia.

- 5) Ho = there is no significant difference between ROA in state owned banks and private foreign banks in Indonesia.**

Ha = there is a significant difference between ROA in state owned banks and private foreign banks in Indonesia.

- 6) Ho = there is no significant difference between Operating Efficiency Ratio in state owned banks and private foreign banks in Indonesia.**

H_a = there is a significant difference between Operating Efficiency Ratio in state owned banks and private foreign banks in Indonesia.

- 7) H_o = there is no significant difference between LDR in state owned banks and private foreign banks in Indonesia.

H_a = there is a significant difference between LDR in state owned banks and private foreign banks in Indonesia.

- 8) H_o = there is no significant difference between CML in state owned banks and private foreign banks in Indonesia.

H_a = there is a significant difference between CML in state owned banks and private foreign banks in Indonesia.

- 9) H_o = there is no significant difference between performance (CAMEL) in state owned banks and private foreign banks in Indonesia.

H_a = there is a significant difference between performance (CAMEL) in state owned banks and private foreign banks in Indonesia.

3.7. Hypothesis Testing.

The hypothesis testing was done by analyzing the significance of coefficient and variable. This research used the significant level of 95% or $\alpha = 5\%$. The data, then, were processed by using SPSS 12.0 (statistical package for social science) computer software.

After analyzing and interpreting the data, the analysis can derive some conclusions, that null hypothesis (H_0) is rejected, or in the other word, accepted the alternative hypothesis (H_a).



CHAPTER IV

RESEARCH FINDINGS, DISCUSSIONS AND IMPLICATIONS

This chapter will explain the early process of gathering the data, the measurement of variables used in this research, the data analysis and the interpretation of hypothesis testing which includes the explanations about the research findings, discussions and research implications.

4.1. Research descriptions

4.1.1. Research Preparation

The data in this research were collected from Indonesian Banking Statistics and Bank Indonesia's website with several criteria:

- a. The population of this research was 15 banks for the year 2000-2002 and 16 banks for the year 2003-October 2005.
- b. The data used in this research include financial ratio given by the bank, call money and current assets.

4.1.2. Research Process

The data that were used in this research are quantitative data that were gathered from Indonesian Banking Statistics and Bank Indonesia's website. The companies that become the object of this research were 15 banks for the year 2000-2002 and 16 banks for the year 2003-October 2005. They are all the population of state-owned banks and private foreign banks in Indonesia.

The hypothesis testing was done by statistical testing method, for the measurement of variable. Microsoft Excel was used and the data were then processed by using SPSS 12.0 for the statistical calculation.

4.2. Research Findings and Discussions

4.2.1. Descriptive Statistics

Descriptive statistics was applied to observe the sample characteristics used in this research. In detail, the sample characteristics are shown in table 4.1. Based on the table 4.1, we find the sample amount, minimum and maximum value, mean and the standard deviation of each variable that are used.

TABLE 4.1
DESCRIPTIVE STATISTICS

	N	Minimum	Maximum	Mean	Std. Deviation
CAR State-Owned Banks	6	,0531	,2171	,175417	,0610813
CAR Private Foreign Banks	6	,1638	,2240	,180367	,0224118
BDR State-Owned Banks	6	,0316	,0832	,045200	,0190035
BDR Private Foreign Banks	6	,0326	,1252	,071650	,0381504
Class Asset Reserve State-Owned Banks	6	1,8228	5,0816	2,941700	1,1833102
Class Asset Reserve Private Foreign Banks	6	1,0918	1,3051	1,171367	,0775614
NPM State-Owned Banks	6	,0653	,1762	,120500	,0426721
NPM Private Foreign Banks	6	,0662	,1833	,113983	,0408278
ROA State-Owned Banks	6	,0057	,0346	,018600	,0107785
ROA Private Foreign Banks	6	,0245	,0522	,037733	,0105931
Operating Efficiency Ratio State-Owned Banks	6	,7573	1,0660	,969583	,1168301

Operating Efficiency Ratio Private Foreign Banks	6	,7525	,9724	,830850	,0744119
LDR State-Owned Banks	6	,2640	,5317	,386800	,1148754
LDR Private Foreign Banks	6	,4728	,6428	,535550	,0591334
CML State-Owned Banks	6	,0484	,1428	,084617	,0339502
CML Private Foreign Banks	6	,3399	,5655	,426600	,0819987
CAMEL State-Owned Banks	6	46,7710	70,6460	61,318167	9,4928099
CAMEL Private Foreign Banks	6	51,5750	68,6760	61,740667	7,6185134
Valid N (listwise)	6				

4.2.2. The Hypothesis Testing

To observe the significance level, this research applies the probability value approach (ρ -value approach). The determination of accepting and rejecting H_0 is based on the ρ -value result. If ρ -value of the variables are greater than the significant level ($\alpha = 0.05$), so that the Null Hypothesis (H_0) is failed to reject, it means that the variable is not significant. Meanwhile, if ρ -value is smaller than the significant level that is chosen ($\alpha = 0.05$), so that the Null Hypothesis (H_0) is rejected. It means the variable is significant.

The results of the mean difference for each variable are described in table 4.2 below.

TABLE 4.2

THE RESULT OF MEAN DIFFERENCE

		Paired Differences		t	Sig. (2-tailed)
		Mean	Std. Deviation		
Pair 1	CAR State-Owned Banks - CAR Private Foreign Banks	-.4950	5.70308	-.213	.840
Pair 2	BDR State-Owned Banks - BDR Private Foreign Banks	-2.6450	5.03784	-1.286	.255
Pair 3	Class Asset Reserve State-Owned Banks - Class Asset Reserve Private Foreign Banks	177.0333	122.30918	3.545	.016
Pair 4	NPM State-Owned Banks - NPM Private Foreign Banks	.6517	5.09227	.313	.767
Pair 5	ROA State-Owned Banks - ROA Private Foreign Banks	-1.9133	.41389	-11.323	.000
Pair 6	Operating Efficiency Ratio State-Owned Banks - Operating Efficiency Ratio Private Foreign Banks	13.8733	9.58164	3.547	.016
Pair 7	LDR State-Owned Banks - LDR Private Foreign Banks	-14.8750	16.25491	-2.242	.075
Pair 8	CML State-Owned Banks - CML Private Foreign Banks	-34.1983	10.09614	-8.297	.000

Table 4.2 shows that only Classified Assets reserves, ROA, Operating Efficiency Ratio and CML that have a significant difference in performance of state-owned banks and private foreign banks. Moreover, the other variables are not significant.

The testing of first hypothesis is to analyze the independent variable, which is CAR. The table 4.2 shows that the amount of p-value of t is 0.840. It means that there is no significant difference between CAR in state owned banks and private foreign banks in Indonesia. The finding is not consistent with Sumarta and Yogyanto's research finding.

The testing of **second hypothesis** is to analyze the independent variable which is BDR. Table 4.2 shows that the amount of p-value of t is 0.255. It means that there is no significant difference between BDR in state owned banks and private foreign banks.

The testing of **third hypothesis** is to analyze the independent variable, Classified Assets Reserves. Table 4.2 shows that the amount of p-value of t is 0.016. It means that there is significant difference between Classified Assets Reserves in state owned banks and private foreign banks.

The testing of **fourth hypothesis** is to analyze the independent variable, NPM. Table 4.2 shows that the amount of p-value of t is 0.767. It means that there is no significant difference between NPM in state owned banks and private foreign banks in Indonesia. This finding is consistent with Sumarta and Yogyanto's research finding.

The testing of **fifth hypothesis** is to analyze the independent variable, ROA. Table 4.2 shows that the amount of p-value of t is 0.000. It means that there is significant difference between ROA in state owned banks and private foreign banks in Indonesia. This finding is consistent with Sumarta and Yogyanto's research finding.

The testing of **sixth hypothesis** is to analyze the independent variable which is Operating Efficiency Ratio. Table 4.2 shows that the amount of p-value of t is 0.016. It means that there is significant difference between Operating Efficiency

ratio in state owned banks and private foreign banks in Indonesia. This finding is not consistent with Sumarta and Yogyanto's research finding.

The testing of **seventh hypothesis** is to analyze the independent variable, LDR. Table 4.2 shows that the amount of p-value of t is 0.075. It means that there is no significant difference between LDR in state owned banks and private foreign banks in Indonesia. This finding is not consistent with Sumarta and Yogyanto's research finding.

The testing of **eight hypothesis** is to analyze the independent variable, CML. Table 4.2 shows that the amount of p-value of t is 0.000. It means that there is significant difference between CML in state owned banks and private foreign banks in Indonesia. This finding consistent with Sumarta and Yogyanto's research finding

TABLE 4.3
THE MEAN DIFFERENCE RESULT OF CAMEL

	Paired Differences		T	df	Sig. (2-tailed)
	Mean	Std. Deviation			
CAMEL State-Owned Banks - CAMEL Private Foreign Banks	-.4225	8.63999	-.120	5	.909

The testing of **ninth hypothesis** is to analyze the performance (CAMEL), whether they have a significant difference or not between state-owned banks and private foreign banks. It can be seen from the table 4.6 that the amount of p-value of t is 0.909. It means that there is no significant different between performances (CAMEL) in state owned banks and private foreign banks in Indonesia.

TABLE 4.4
SUMMARY OF RESULT

Variables	t-statistics	p-value of t	Significance level
CAR	-.213	.840	In significant
BDR	-1.286	.255	In significant
Classified Assets Reserves	3.545	.016	Significant
NPM	.313	.767	In significant
ROA	-11.323	.000	Significant
Operating Efficiency Ratio	3.547	.016	Significant
LDR	-2.242	.075	In significant
CML	-8.297	.000	Significant
CAMEL	-.120	.909	In significant

4.3. Research Implication

The analysis result shows that only Classified Assets Reserves, ROA, Operating Efficiency Ratio and CML that have significant difference between state-owned banks and private foreign banks. This research implies that the performance of state-owned banks and private foreign banks in Indonesia for the year 2000-October 2005 is significantly different for those variables.

Meanwhile, CAR, BDR, NPM, and LDR variables are not significantly different between state-owned banks and private foreign banks. This evidence implies that the performance of state-owned banks and private foreign banks in Indonesia for the year 2000-October 2005 is not significantly different for those variables.

Moreover, the overall performance (CAMEL) of state-owned banks and private foreign banks in Indonesia during 2000-October 2005 is not significantly different.

This evidence implies that the performance between state-owned banks and private foreign banks in Indonesia during 2000-October 2005 is not different. The finding of this research is not in conformity with the previous research that has been done by Sumarta and Yogyanto (2000).

CAR between state-owned banks and private foreign banks is not significantly different. It happens because Bank Indonesia already set the minimum CAR that the bank should have. Minimum CAR requirement is important as a guarantee for the customer that the banks have adequate capital to fulfill their liabilities.

Both of state-owned banks and private foreign banks already fulfill the minimum requirement of CAR. Moreover, private foreign banks have higher mean of CAR. This condition happens because private foreign banks have bigger capital than state-owned banks (Dendawijaya, 2005). Higher CAR implies that private

foreign banks can fulfill their long-term liabilities with their capital better than state-owned banks.

BDR between state-owned banks and private foreign banks is not significantly different. However, for Classified Assets Reserves there is a significant difference between state-owned banks and private foreign banks. Those two variables indicate the quality of productive assets. The lesser the ratio BDR, the better it will be because BDR indicates the risk of bad debt in the bank. But the higher the ratio of Classified Assets Reserves, the better the bank condition is because it indicates the reserve that the bank has for anticipating the bad debt.

BDR for private foreign banks are higher than state-owned banks, but there is no significant difference. This condition implies that both of the banks are very careful with their productive assets in order to keep survive in this business. Big bad debt can bring serious problem in this business.

State-owned banks have higher mean of Classified Assets Reserves than private foreign banks. This condition implies that state-owned banks have higher reserves for anticipating bad debt. In addition, this ratio has a significant difference. It happens because state-owned banks as the major actor in banking business in Indonesia making more loans than private foreign banks. Moreover, state-owned banks should anticipate more for bad debt because they make more loans.

BDR and Classified Assets Reserves indicating the quality of productive assets. From the data in table 4.5 we know that BDR ratio for state-owned banks are

lesser than private foreign banks and Classified Assets Reserves ratio for state-owned banks are higher than private foreign banks. This condition implies that the quality of productive assets for state-owned banks is better than private foreign banks.

NPM ratio between state-owned banks and private foreign banks is not significantly different. This finding shows us that whatever the business is, state-owned business or private business, the objectives are to earn profit. That is why there is no significant difference between state-owned banks and private foreign banks because both of them are trying to earn profit as much as they can. This finding is consistent with Sumarta and Yogyanto research finding, even though their research was compared to bank in Indonesia and Thailand.

The ROA ratio between state-owned banks and private foreign banks has a significant difference, where the ROA ratio in private foreign banks has higher value. This condition implies that private foreign banks manage their assets better and more efficient in their operating activities than state-owned banks because ROA measures the bank's ability in making profit and efficiency in their operating activity. Higher ROA means higher profit and better allocation of assets.

Operating efficiency ratio between state-owned banks and private foreign banks have significant difference. The ratio of state-owned banks has higher value than private foreign banks. This condition indicates that private foreign banks are more efficient in their operating activities because operating efficiency ratio

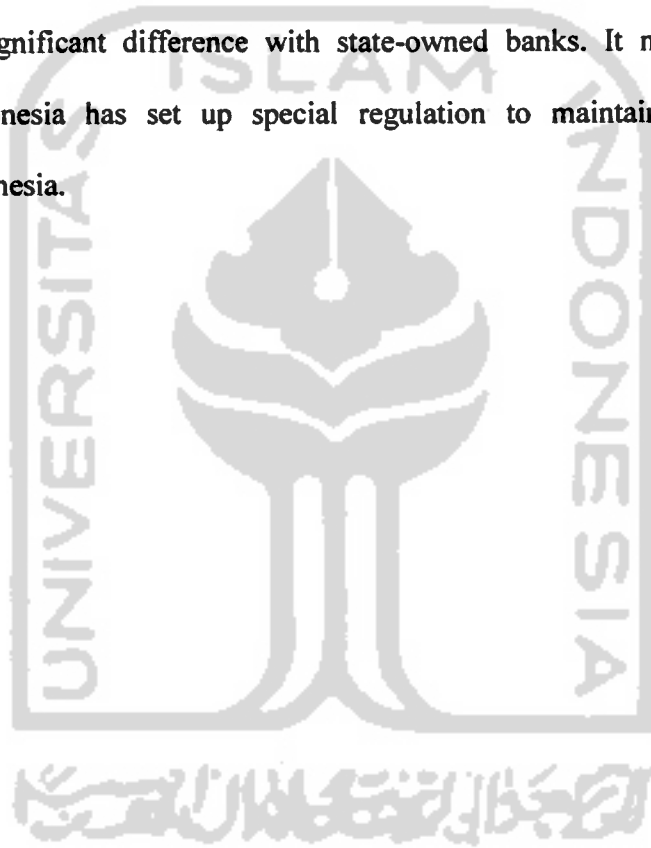
measures bank's efficiency in running their operating activities. The condition may happen because state-owned banks are the major actor in banking business in Indonesia and this makes them inefficient in running the activities because of they are satisfied with their position. Besides, the quality of resources, like human resources and technology, in state-owned banks are insufficient.

The ratio LDR between state-owned banks and private foreign banks are not significantly different. This implies that the ability of state-owned banks and private foreign banks in fulfilling their abilities are not so different because LDR measures banks ability in fulfilling their liabilities. In the other word, the liquidity among the banks is not significantly different.

LDR mean of private foreign banks is higher than state-owned banks. It may happen because the total loans give by the banks are not equal with the total deposits they have. We know that people tend to make deposits in state-owned banks because they feel more secure with state-owned banks.

The CML ratio between state-owned banks and private foreign banks are significantly different. The ratio of private foreign bank is higher than state-owned banks. This condition implies that the liquidity of private foreign banks are worse than state-owned banks because private foreign banks cannot fulfill their liabilities in call money with their liquid assets. State-owned banks as the major actor in banking business in Indonesia of course have more liquid assets than private foreign banks and it may the reason why the ratio is significantly different.

The overall performance (CAMEL) between state-owned banks and private foreign banks are not significantly different during 2000-October 2005. With the mean of CAMEL score for private foreign banks higher than state-owned banks. The condition indicates that the performance of private foreign banks is better, but it does not have a significant difference with state-owned banks. It may happen because Bank Indonesia has set up special regulation to maintain the bank performance in Indonesia.



CHAPTER V CONCLUSIONS AND RECOMMENDATIONS

This chapter will give the conclusion of the research. The limitation and the recommendation are also explained in this chapter.

5.1. Research Conclusions

Based on the research purpose, the statistical test and analysis have been described in the previous chapters. There are several conclusions as are mentioned as follows:

- a. Based on the result of the analysis, it can be concluded that there is no significant difference in CAR, BDR, NPM, and LDR between state-owned banks and private foreign banks in Indonesia for the year 2000-October 2005 with 5% level of significance.
- b. Based on the result we can also conclude that there is a significant difference in Classified Assets Reserves, ROA, Operating Efficiency ratio and CML between state-owned banks and private foreign banks in Indonesia for the year 2000-October 2005 with 5% level of significance.
- c. The overall performance (CAMEL) between state-owned banks and private foreign banks in Indonesia for the year 2000-October 2005 has no significant difference, eventhough the mean of CAMEL score for private foreign banks higher than state-owned banks, which means that the performance of private

foreign banks is better. The condition may happen because Bank Indonesia already sets up some rules to maintain the bank performance.

5.2. Research Limitations

In conducting this research, there are some limitations as outlined as follows:

1. Because the sample is small, there are some problems regarding the validity of the research.
2. Since it only uses financial ratio in examining the performance, it cannot evaluate other factors that can influence the performance of the bank, such as the bank's compliance or the internal conflict that can affect the business.

5.3. Research Recommendations

These following recommendations are provided to give a reference for the next academic research:

1. For further research, it is suggested to have more population and in different categories, such as private national banks or it increases the period of the research.
2. The measurement of the performance does not only use CAMEL, but also CAMEL plus that considers the compliance of bank with the government (Bank Indonesia) rules.

BIBLIOGRAPHY

- Anggraeni, Fitri D. *Analisis Kinerja Keuangan dan Tingkat Kepailitan Perusahaan Perbankan di Indonesia Sebelum dan Sesudah Divestasi*. Skripsi. Universitas Negeri Yogyakarta, 2004.
- Bergevin, Peter. *Financial Statement Analysis An Integrated Approach*. Prentice-Hall, 2002.
- Damayanti, Desti. *Analisis Kinerja Keuangan Bank Dengan Metode CAMEL: Studi Kasus pada PT. Bank Global Internasional, Tbk*. Skripsi. Universitas Janabadra, 2005.
- Dendawijaya, Lukman. *Manajemen Perbankan*. Bogor: Penerbit Ghalia Indonesia, 2005.
- Hirtle, B. J. and Lopez, J. A. "Supervisory Information and The Frequency of Bank Examinations". *Federal Reserve Bank of New York Economic Policy Review*. April 1999, pp.1-19.
- Hempel, Simonson, and Coleman. *Bank Management*, 4th ed. John Wiley & Sons, 1994.
- Lacewell, Stephen K. Do Efficient Institutions Score Well Using Ratio Analysis? An Examination Of Commercial Banks in The 1990s. *Journal of Commercial Banking and Finance*, Vol. 2, 2003, pp.17-33.
- Martono. *Bank dan Lembaga Keuangan Lain*. Yogyakarta: Ekonisia, 2003.
- Mishkin, F.S. *The Economics of Money, Bnaking, and Financial Markets*, 7th ed. Addison-Wesley, 2004.
- Rose, Peter. S. and Kolari, James. W. *Financial Institution: Understanding and Managing Financial Services*, 5th ed. Irwin, 1995.
- Said and Saucier. " Liquidity, Solvency, and Efficiency? An Empirical Analysis of the Japanese Banks' Distress". *20th Symposium on Banking and Monetary Economics*, Birmingham. June 2003.
- Sarsmistha, Dian. *Factors Influence Underpriced Level and the Aftermarket Stock Price Behavior in Jakarta Stock Exchange in Year 1999-2003*. Thesis. Islamic University of Indonesia, 2005.

Smith, Gary. *Money, Banking, and Financial Intermediation*. D.C. Heath, 1991.

Sulistiyana. *Analisis Kinerja Keuangan Perbankan Pada Bank Devisa Nasional*. Skripsi. Universitas Muhammadiyah Yogyakarta, 2003.

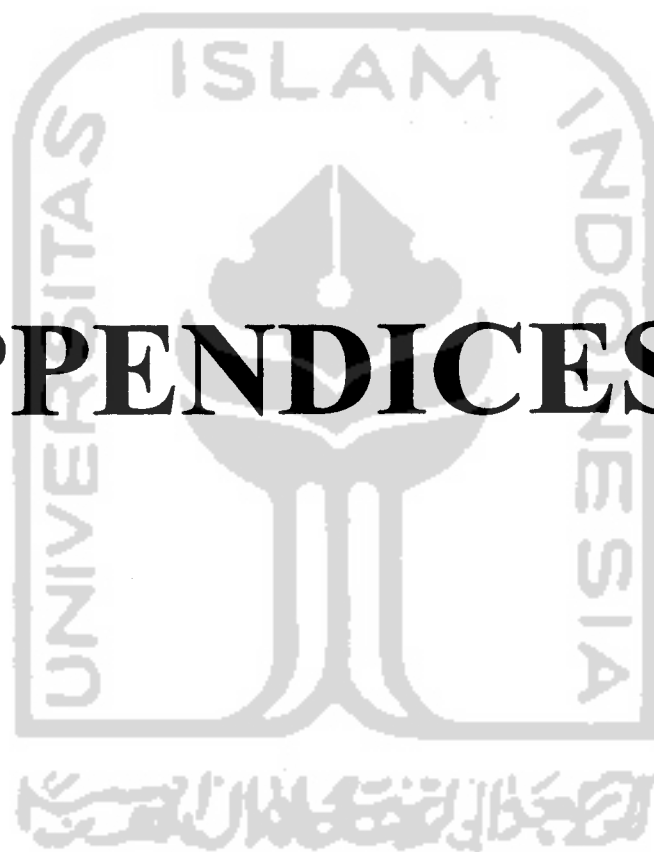
Sumarta, N. H. and Yogyianto. "Evaluasi Kinerja Perusahaan Perbankan Yang Terdaftar di Bursa Efek Indonesia dan Thailand". *Buletin Ekonomi Moneter dan Perbankan*. September 2000, pp.187-206.

Tri Susilo, Y., Triandaru, S. and Santoso, A. *Bank dan Lembaga Keuangan Lain*. Jakarta: Salemba Empat, 2000.

www.pfc.ca



APPENDICES



Appendix 2: CAMEL Score Table

State-Owned Banks

Year	Score	Category
2000	46,771	Unsatisfactory
2001	61,186	Unhealthy
2002	65,448	Unhealthy
2003	70,118	Healthy
2004	70,646	Healthy
October 2005	53,74	Unhealthy

Private Foreign Banks

Year	Score	Category
2000	52,926	Unhealthy
2001	51,575	Unhealthy
2002	63,366	Unhealthy
2003	65,511	Unhealthy
2004	68,676	Healthy
October 2005	68,39	Healthy

Appendix 3: The Descriptive Statistics of The Research Variables

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CAR State-Owned Banks	6	,0531	,2171	,175417	,0610813
CAR Private Foreign Banks	6	,1638	,2240	,180367	,0224118
BDR State-Owned Banks	6	,0316	,0832	,045200	,0190035
BDR Private Foreign Banks	6	,0326	,1252	,071650	,0381504
Class Asset Reserve State-Owned Banks	6	1,8228	5,0816	2,941700	1,1833102
Class Asset Reserve Private Foreign Banks	6	1,0918	1,3051	1,171367	,0775614
NPM State-Owned Banks	6	,0653	,1762	,120500	,0426721
NPM Private Foreign Banks	6	,0662	,1833	,113983	,0408278
ROA State-Owned Banks	6	,0057	,0346	,018600	,0107785
ROA Private Foreign Banks	6	,0245	,0522	,037733	,0105931
Operating Efficiency Ratio State-Owned Banks	6	,7573	1,0660	,969583	,1168301
Operating Efficiency Ratio Private Foreign Banks	6	,7525	,9724	,830850	,0744119
LDR State-Owned Banks	6	,2640	,5317	,386800	,1148754
LDR Private Foreign Banks	6	,4728	,6428	,535550	,0591334
CML State-Owned Banks	6	,0484	,1428	,084617	,0339502
CML Private Foreign Banks	6	,3399	,5655	,426600	,0819987
CAMEL State-Owned Banks	6	46,7710	70,6460	61,318167	9,4928099
CAMEL Private Foreign Banks	6	51,5750	68,6760	61,740667	7,6185134
Valid N (listwise)	6				

Appendix 2: CAMEL Score Table

State-Owned Banks

Year	Score	Category
2000	46,771	Unsatisfactory
2001	61,186	Unhealthy
2002	65,448	Unhealthy
2003	70,118	Healthy
2004	70,646	Healthy
October 2005	53,74	Unhealthy

Private Foreign Banks

Year	Score	Category
2000	52,926	Unhealthy
2001	51,575	Unhealthy
2002	63,366	Unhealthy
2003	65,511	Unhealthy
2004	68,676	Healthy
October 2005	68,39	Healthy