

**THE INFLUENCE OF OWNERSHIP STRUCTURE ON CORPORATE
PERFORMANCE: CASE STUDY OF BANKING INDUSTRY IN INDONESIA
PERIOD 2008-2010**

A THESIS

Presented as a Partial Fulfillment of the Requirements
To Obtain the Bachelor Degree in Management Department



By

MUFTIA NUR MAHMUDAH

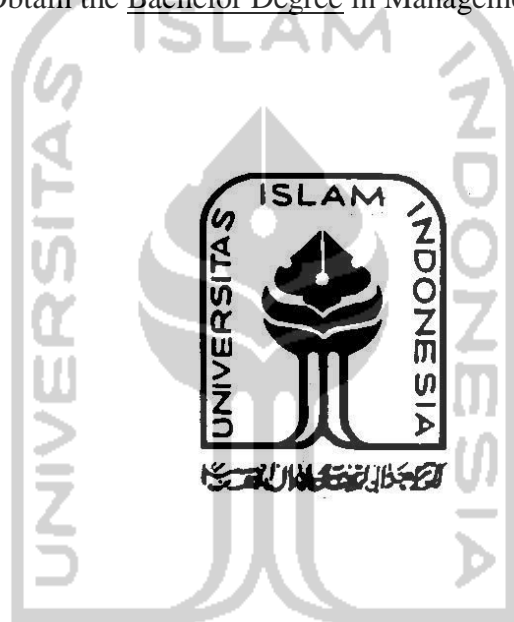
Student Number: 08311050

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INTERNATIONAL PROGRAM
FACULTY OF ECONOMICS
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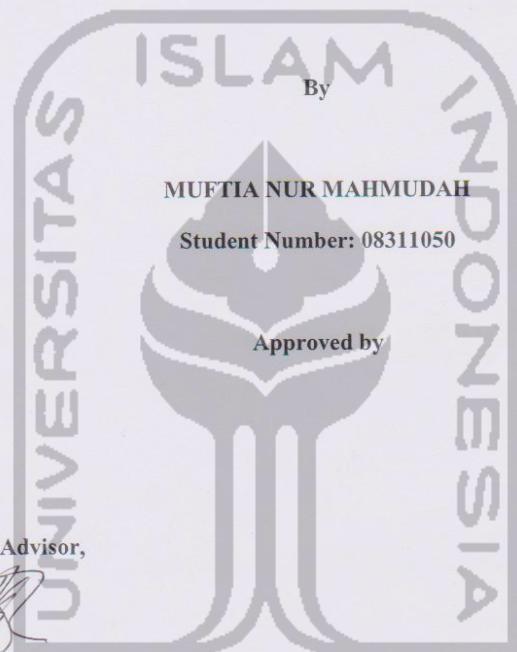
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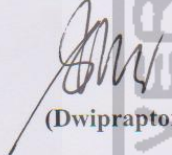
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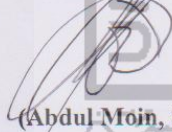
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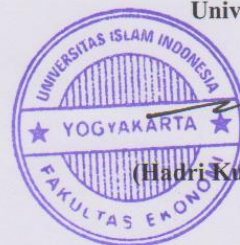
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being your lovely daughter. Mom and Dad, I always try to be the best for both of you and I want you always be proud of me as your first daughter. You are my teacher, my friends, my inspiration and my motivation. You teach me how to face the life and struggle my destiny in my palm and build my own life. All the whole things you have done for me from my birth till now cannot be replaced with anything that I will give in the future. But, I always want to give my best effort to give and bring joyful and happiness to both of you in the rest of your life.

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Wassalamu’alaikum, Wr.Wb.

Yogyakarta, April 2012

The Writer

(Muftia Nur Mahmudah)

STATEMENT OF FREE PLAGIARISM

Herewith the writer declare that in this thesis, there is no opus that have been proposed for obtaining the bachelor degree in any other university, and as the writer knows, there is no opus that have been written or published by other persons, except those written in the text of this thesis, and stated in the bibliography. If in the future that this statement is proven to be wrong, then the writer will make any correction regarding the error.

Yogyakarta,

Muftia Nur Mahmudah



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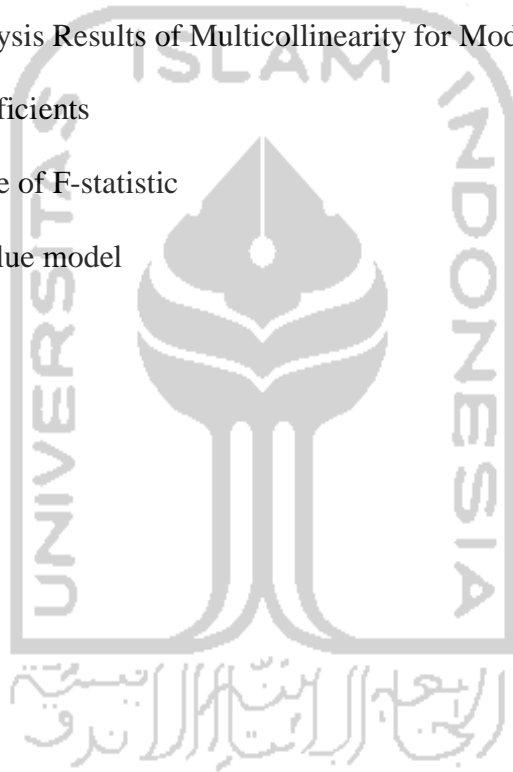
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ABSTRACT

Mahmudah, Muftia Nur (2012). The Influence of Ownership Structure on Corporate Performance: Case Study of Banking Industry in Indonesia Period 2008-2010. Yogyakarta: Department of Management, International Program, Faculty of Economics, Universitas Islam Indonesia.

This research is aimed to investigate the influence of ownership structure on corporate performance in banking industry in Indonesia. The variety of ownership structure which has been studied in this research consists of five types. These are foreign ownership, domestic ownership, managerial ownership, government ownership and public ownership.

The samples employed in this research are 19 banks for the year 2008, 19 banks for the year 2009, and 19 banks for the year 2010. These banks listed in Indonesia Stock Exchange (IDX). Some of data which have gotten from those banks are insufficient and incomplete. Final research object data is 57 data. The hypotheses are tested using five models to support the banking performance which represented by ROA (Return on Asset).

The result of this research shows that from five kinds of regression, only managerial ownership that has the positive significant influence toward ROA. The rest of four ownership variables have negative influence and no significant correlation toward ROA. This result comes from t-test statistic. For the result on F-test shows that simultaneously foreign ownership, domestic ownership, managerial ownership, government ownership and public ownership have a significant influence in ROA.

Keyword: *ownership structure, corporate performance, banking industry, and ROA.*

ABSTRAK

Mahmudah, Muftia Nur (2012). The Influence of Ownership Structure on Corporate Performance: Case Study of Banking Industry in Indonesia Period 2008-2010. Yogyakarta: Department of Management, International Program, Faculty of Economics, Universitas Islam Indonesia.

Penelitian ini bertujuan untuk meneliti pengaruh struktur kepemilikan pada kinerja perusahaan di industry perbankan di Indonesia. Jenis-jenis struktur kepemilikan yang dijadikan acuan dalam penelitian ini ada lima macam. Mereka adalah kepemilikan asing, kepemilikan domestic, kepemilikan manajerial, kepemilikan pemerintah dan kepemilikan umum atau publik.

Sampel yang digunakan dalam penelitian ini adalah total 19 bank dari tahun 2008, 19 bank dari tahun 2009, dan 19 bank dari tahun 2010. Kesemua bank telah terdaftar dalam Bursa Efek Indonesia (BEI). Beberapa data yang didapat dari bank-bank tersebut tidak memuaskan dan tidak komplit. Hipotesa yang diujikan dalam penelitian ini menggunakan lima model untuk meneliti kinerja perusahaan yang direpresentasikan oleh ROA (Return on Asset).

Hasil dari penelitian ini menunjukkan bahwa dari lima macam regresi, hanya kepemilikan manajerial yang mempunyai pengaruh positif yang signifikan terhadap ROA. Selain itu, empat variabel kepemilikan mempunyai pengaruh negative dan tidak mempunyai korelasi yang signifikan terhadap ROA. Hasil ini berasal dari statistik t-test. Untuk hasil dari F-test, secara berkesinambungan, kepemilikan asing, kepemilikan domestic, kepemilikan manajerial, kepemilikan pemerintah dan kepemilikan public mempunyai sebuah pengaruh yang signifikan terhadap ROA.

Kata kunci: *struktur kepemilikan, kinerja perusahaan, industry perbankan, ROA.*

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Herewith the writer declare that in this thesis, there is no opus that have been proposed for obtaining the bachelor degree in any other university, and as the writer knows, there is no opus that have been written or published by other persons, except those written in the text of this thesis, and stated in the bibliography. If in the future that this statement is proven to be wrong, then the writer will make any correction regarding the error.

Yogyakarta,



Muftia Nur Mahmudah

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CHAPTER I

INTRODUCTION

1.1. Study Background

Ownership structure is a most popular discussion in corporate governance. Many researchers believe that it has made great contributions to company's business activities. It functions to explain the shareholder's roles in company's structural board in which it is about the shareholders' contributions to the company's activities and their position in the company ownership. In the other words, ownership structure reflects the effort of shareholders in order to ensure their position in the company and maximize their profit as well as their allocation in the company.

There is a lot of debate among researchers. Some do not believe that there is a relationship between ownership structure and company performance. It can be proven from thesis of Berle and Means (1932), which suggests that there is a contrary correlation which happens in research about shareholdings structure and corporate performance. Many years later, this argument had been broken down by Demsetz (1983) in Demsetz and Villangola (2001) which says:

“The ownership structure of a corporation should be thought of as an endogenous outcome of decisions that reflect the influence of shareholders.”

The empirical studies about this matter invite many conflicting problems in the economic literature from some researchers. In order to prove and strengthen his argument, Demsetz did the observation about the validity of Berle and Means

thesis and concluded that a linear regression of an accounting measure of profit rate on the fraction of shares owned by the five largest shareholding interests (and on a set of control variables), in which ownership structure is treated as an endogenous variable, gives no evidence of a relation between profit rate and ownership concentration. Therefore, Demsetz declared the conclusion of his research. Definitely, there is no strong evidence by which to reject the belief that firm performance and managerial equity ownership are unrelated.

Ownership structure is not only related to shareholders value, but also to the performance of the Board of Directors (BOD). Board of directors plays the important role in creating good environment between the managerial and ownership relation. Maximizing the shareholders wealth and making sure of them in ownership structure are the task of Board of Director (BOD). In the agency theory, the relationship between BOD and shareholder is quite strong in which the managerial or BOD play a role as the agent who provides all of shareholders' needs on the information of income and outcome, as well as business environment from the company. That's why, from this task, the managerial has a duty to create good corporate governance in order to deal with the shareholders' needs.

BOD in a company is not always similar with other company. Some company may use one-tier board and the other applies two-tier board. Similar with BOD structure, ownership structure from a company may differ from another company. The kind of ownership structure can be very variable. There are three kinds of shares ownership usually used in a company. Those are shares owned by firm's shareholders, owned by firm's management, also owned by the family. The

latter usually exists in family-owned firm. But most of company shares in mostly company in the world are owned by shareholders, in any kind of business activities. This type of ownership benefits to the company than the other two. The management can focus on the needs of its shareholders while they take the company decision in order to maximize the shareholders wealth. However, the importance of shareholders' protection is sometimes forgotten, such as by not providing the clear information on company's internal finance. This abusive tendency is usually caused by the absence of a member of company's management team as one of the company's largest shareholders. It is in line with what Demsetz and Villalonga said (2001, page 215):

“The empirical reality is that a person who is a professional member of the management team hardly ever holds enough shares to make him one of the five most important shareholder of a corporation.”

Hence, a professional management is crucial in developing company's business growth externally and internally.

Professional management should be applied in every business including in banking industry. Banking industry is one of business entities that have interesting activities. They get profit from lending money to their customers. In Indonesia, banking industry has a significant impact on the country's economic atmosphere. In dealing with bank's shares, shareholders have the important roles. They give their capital to the company so that it can grow rapidly and consequently make the company attract many investors in Indonesia's stock market. This condition can have big impact into the corporate performance in the present and future. That's why banking industry turn out to be concerned of writer in this research.

In his thesis, Magalhaes et al. (2010 page 2) says:

“Concerning bank performance does find evidence of a cubic relationship between ownership concentration and bank performance (positive, negative and positive).”

Other evidence is supportive of theoretical hypotheses of the effect of low cost in managerial highly effect the low ownership concentration. Put in the another way, the higher cost in managerial will increase the ownership concentration so that the shareholders' sake in optimum management. The parallel relationship between performance and managerial ownership also was found by Morck et al. (1988) for non-financial firms.

There are two kinds of bank ownership - foreign and domestic ownership. This two ownership structure has some of components. Foreign corporate ownership and foreign financial institutional ownership should not be ignored in the foreign ownership influence. In the other side, the domestic has more complicated components that may consist of domestic financial institutional ownership, domestic corporate ownership, ownership by the management or insider, ownership by government and the public ownership.

In some research, the foreign ownership is more popular than the domestic one. Many researchers believe that foreign ownership gives more a significant influence than the domestic or private ownership. It is because foreign ownership has some benefits rather than domestic ones. Foreign ownership are providing better human resource which accomplished by higher education, higher salary in jobs, and the better performance in the industrial environment including corporate governance. Micco, et al. (2004, page 6) strengthens this though their statement:

“In the case of developing countries, foreign entry leads to an increase in efficiency of the domestic banking system. This in turn leads to a situation characterized by lower overhead costs and lower interest margins.”

In the developed countries, the effect of foreign ownership to corporate performance is more serious with put side by side with domestic ownerships. It could be negative or positive from all of ownership factors. Therefore, from this background study, the writer decides to choose the research title: **“THE INFLUENCE OF OWNERSHIP STRUCTURE ON CORPORATE PERFORMANCE: CASE STUDY OF BANKING INDUSTRY IN INDONESIA PERIOD 2008-2010.”**

1.2. Problem Identification

Ownership structure and corporate performance may become a discussion in the company literature. Some modern researchers found that there is no significant relation between the two. They use different method to find it. Therefore, in order to analyze the validity and reliability from previous researches, this research is going to investigate the topic and its implications in the country' banking industry. With this background study, the problem to be analyzed is as follows: “Is there any influence on ownership structure on corporate performance using the case study of banking industry in Indonesia?”

1.3. Problem Formulation

Based on the problem identification above, a question is put forward to identify a more specific problem; how is the influence of ownership structure on

corporate performance on banking industry in Indonesia?

1.4. Limitations of Research Area

The scope of this research is going to find out the influence ownership structure on corporate performance which is under the discussion among researchers. Therefore, in order to provide a clear description and reliable information, the writer indicates the following limitations:

1. Banking industry in Indonesia for the period 2008 to 2010. This research will take five samples to be used as the research object from the total number of banks in Indonesia.
2. The writer analyzes the ownership structure (foreign and domestic ownership) with its implications to the company performance.

1.5. Research Objective

The overall objectives of this research are to analyze and investigate the influence of ownership structure both foreign and domestic ownership which give influence to the banking industry, which can be implemented by company's management in formulating a proper policy and strategies for the company in future.

The specific objective is to provide the empirical evidence on the influence of ownership structure on company performance, the case of banking industry as the subject indicator.

1.6. Research Benefit

The writer hopes that the results of this study will make a great contribution to some parties:

1. To the companies concerned, especially those dealing with

The results of this research aim at giving information to the banking companies on the impact of ownership structure to the corporate performance. Thus, they can use it for taking the right decision and good strategies in the future regarding ownership's treatment.

2. To subsequent researchers

This research is also expected to be of a great contribution to other next researchers who intend to investigate the related topic.

3. To the management field

This research can be a significant contribution to the management field. Thus, it may be one of hundreds of existing research findings and serve as a reference or the basic finding to be developed further.

1.7. The Organization of the Research Report

This research report is organized as follows:

CHAPTER I. INTRODUCTION

This chapter discusses the Study Background of the Research, Problem Identification, Problem Formulation, Limitation of Research Area, Research Objectives, Research Benefit and Research Report Organization.

CHAPTER II. REVIEW OF RELATED LITERATURE

This chapter provides some literature reviews and theoretical background supporting the research and also hypotheses formulation.

CHAPTER III. RESEARCH METHOD

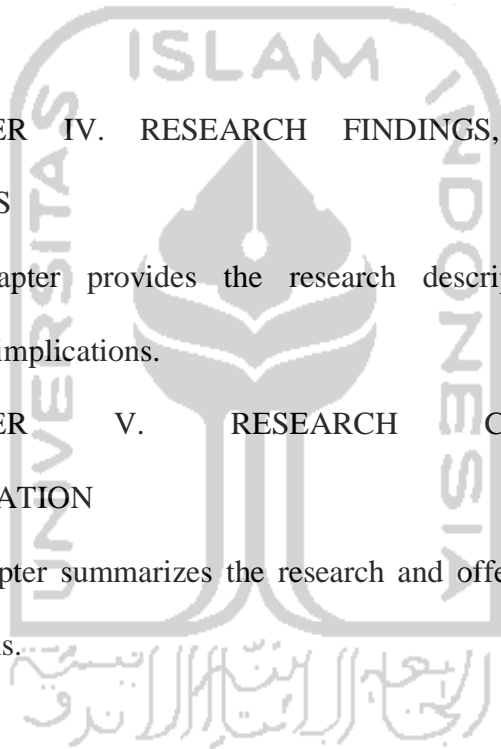
This chapter presents the research method, research subject, research setting, research variables, test of classical assumption of regression, hypotheses testing, linear multiple regression, research procedures and technique of data analysis.

CHAPTER IV. RESEARCH FINDINGS, DISCUSSIONS AND IMPLICATIONS

This chapter provides the research description, research findings, discussions and implications.

CHAPTER V. RESEARCH CONCLUSION AND RECOMMENDATION

This chapter summarizes the research and offers some findings – based recommendations.



CHAPTER II

REVIEW OF RELATED LITERATURE

This chapter reviews theories that deal with the research topic under discussion. In the theoretical framework and hypotheses formulation section, all analyses of the relevant theories are summarized and the temporary solutions of the problem are stated.

2.1. Ownership structure

The concept of ownership in a corporation has no marked difference in the two rival perspectives of Shareholder-Value and Stakeholder-Value. For both, a corporation is based on private property rights on ownership. The owners of the corporation (shareholders) have a dual heritage - rights as individuals as well as rights of owners of shares in a corporation. This conforms to the description of the private property and the rights attached to it in the previous sections. Ownership structure is a technical concept on the pattern share ownership. There are different definitions and concepts of ownership structure. The Miller and Modigliani (MM) classical corporate finance theory that generally divides the capital of a company into equity and debt does not go into the detailed decomposition ownership stakes in the firm.

In the wake of the deviation from the classical corporate finance, a notable theory by Jensen and Meckling (1976) made an attempt to present ownership

structure theory. They state that the determining variables in ownership structures are the inside equity (held by managers), the outside equity, and debt. This does not show the ownership structure of a corporation but rather it is a modification of the classical 'capital structure' of the MM world. They merely split equity into two components so as to conform it to their agency theory of the firm. It should be noted that the debt component is not part of the ownership of a firm but its liability, and thus, it cannot be regarded as a component of the ownership structure but capital structure of a firm.

Mathiesen (2004) states that ownership structure is defined by not only the distribution of equity with regard to votes and capital but also by the identity of equity owners.' It convinces him more that the distribution of equity on the basis of capital held by the identity of owners clearly determines the ownership structure. However, in the identity of owners, the actual ownership arises from the cash flow rights that depend directly on the fraction of capital stake in the corporation, not from voting rights.

Morten Balling's (1996) '*Matrix of Governance by Sector*' that is a two-dimensional framework classifying 'all participants in the business community and the financial markets into seven sectors' is a better approach to define ownership structure of corporations and corporate control. His framework presents categories of common share holdings by sectors - families & households, non-financial business, banks, other financial firms, government, institutional investors, and foreign holdings.

In conclusion, ownership structure is defined as the identity of equity holding in a firm on the basis of the size owned by significant owning sectors and the level of ownership concentration. It is related principally to the ownership of the cash flow rights that arises from the fraction owned in the firm, and the prevalence of block holdings as measured by ownership concentration. The proponents of the two rival orientations accept both measures of ownership structures.

2.1.1. Foreign Ownership

Foreign ownership may have the most discussion and critical issue in ownership structure. The foreign ownership in Indonesian banking industry has grown significantly since 1998. Following the commencement of economic crisis and the banking act amendment, insolvent banks were liquidated within the period of 1997-1999. The rest of the banks were under major restructuring due to excessive non-performing loans (NPLs) as a result of lending to related parties (Rokhim, 2005).

Indonesia then saw ownership changes in major private banks. Foreign parties, that are popularly associated with larger capital, have emerged as the lending contestants in the industry through recapitalization and purchasing of shares. The typical scene is group-affiliated banks were replaced with foreign-owned private banks (Sato, 2005).

Foreign presence in banking industry is generally associated with superior performance in banking industry. Foreign presence is suggested to improve the

comparative cost advantage in terms of information production and processing (Okuda and Suvadee, 2006). The foreign presence also brings benefit at the macro level especially in increasing profitability (Shen, et al. 2009).

Bank-based view is popularly applied in developing country, including Indonesia. Bank-based view consider banking sector as the backbone of country's economy (Levine, 2002) therefore foreign ownership and penetration should be limited by multiple restricted licenses, as implemented in most countries in the world in order to protect their domestic bankers. Kurniawan (2004) and Levine (1996), also argues that the large and foreign-owned banks would continue to acquire the small-scale private banks and someday dominate the banking industry, leaving the local bankers with the small private banks, rural banks and government banks. Foreign banks give little contribution to the overall economic growth since they mainly target the unproductive consumption (credit) segment.

Researches on firms with foreign ownership operating in developing countries, Goethals and Ooghe (1997) conducted a study to investigate the performance between 25 Belgian firms and 50 foreign companies, which are Belgian taken over by foreigners. They calculated twenty-eight financial ratios for both foreign and domestic firms and concluded that foreign takeovers have positive impacts on the performance of firms by using regression analysis. Moreover, the firms with foreign ownership performed better than their domestically owned counterparts (Aydin, et al. 2007).

Seeing the vitality of banking sector, some countries implement multiple restrictions upon foreign entry to own a bank on top of simple limitation to the

foreign investor in the ownership structure. In other South East Asia countries, the limitation of foreign ownership ranges from 30% to 51%. In Korea, acquisition of a bank by foreign parties is closely monitored by Financial Service Commission whereby a bank can only be acquired by an intending foreign bank (Lee, 2008).

2.1.1.1. Foreign Corporate Ownership

A single firm or a group of firms holds the shares of a company can be categorized in corporate ownership. These shareholdings usually are primarily foreign collaborator holdings. As a consequence, these holding do not represent mere financial investments in companies, but substantial technical and managerial collaboration with the firms such as in Indian firms' case. Although, only a limited number of Indian firms have foreign corporations as shareholders, the stake held by these foreign corporations is substantial (Douma et al. 2002).

2.1.1.2. Foreign Financial Institutional Ownership

It is well known that emerging financial markets are not as liquid as those of advanced economies. The lack of liquidity is regarded as a key factor for the high volatility in emerging markets and a significant impediment to financial development. The opening of domestic financial markets to international investors, often as part of the overall financial liberalization, was expected to enhance local market liquidity. The statement is in line with the Ree and Wang (2008) which says:

“As elaborated by Stulz (1999a, b), the participation by large international financial institutions would enhance local market liquidity through better information disclosure and more active trading.”

In emerging markets, this information asymmetry may be amplified: Foreign institutions are perceived as being more experienced, better trained, or even better informed. The perception may not be wrong as the past studies have shown that foreign institutions are better monitors of corporate management than local institutions (Khanna and Palepu, 1999) and foreign analysts produce more timely and accurate forecasts than local analysts (Bacmann and Bolliger, 2001). High ownership often leads to company board membership for foreign institutions. This may not be the case when shares are spread among small domestic institutions or individuals, and may exacerbate the information asymmetry between foreign and local investors. If the majority ownership is shifted to foreign institutions, the informal information channels are likely to be weakened or even severed.

In this age of transnational capitalism, significant amounts of capital are flowing from developed world to emerging economies. Positive fundamentals combined with fast growing markets have made India an attractive destination for foreign institutional investors (FIIs). A key factor in global capital markets is the fast growing importance of institutional investors. These professional investors manage financial assets exceeding US\$45 trillion (including over US\$20 trillion in equities) according to the International Monetary Fund (2005) (IMF). Assets under management of institutions have tripled since the early 1990s. Institutional

investors are major players not just in developed markets; their role is rapidly growing in emerging market countries (Khorana, et al. 2005).

Gillan and Starks (2003) posit that the rise of professional money managers as a large shareholder group in corporations worldwide offers the potential for increased monitoring of firm management. Institutions' involvement can range from threatening the sale of shares to the active use of corporate voting rights or meetings with management. Foreign and more independent institutions are many times credited with taking a more active stance, while other institutions that have business relations with local corporations may feel compelled to be loyal to management.² For example, Fidelity is reported to be more aggressive on governance issues in Europe, but it is relatively acquiescent in the U.S. where it manages several corporate pension accounts (BusinessWeek (2006), Davis and Kim (2006)).

In many emerging countries such as India, the trend and future prospects in foreign institutional investments has become a topic of great concern. It is established in literature that block shareholders influence the firm performance (Cho and Padmanabhan, 2001). Governance of listed companies plays an important role in foreign intuitional investment decisions. Furthermore management of businesses run by family groups plays a distinctive role. When governments become block share shareholder their objective will be quite different from those of private investors.

Douma, et al. (2006) investigated the impact of foreign institutional investment on the performance of emerging market firms and found that there is positive effect

of foreign ownership on firm performance. Aggarwal, et al. (2005) observed that foreign investors preferred the companies with better corporate governance. Investor protection is poor in case of firms with controlling shareholders who have ability to expropriate assets. The block shareholders affect the value of the firm and influence the private benefits they receive from the firm. Companies with such shareholders will find it expensive to raise external funds.

Parrino et al. (2003) find that institutional selling influences the decision of the board of directors to fire a CEO, while Gillan and Starks (2003) find typically modest stock price reactions to shareholder proposals by activist institutions. Other studies show that certain types of institutional investors have some influence on specific corporate events such as anti-takeover amendments (Brickley et al. (1988)), research and development expenditures (Bushee (1998), executive compensation (Almazan et al. (2005), and merger and acquisition decisions (Gaspar, et al. (2005) and Chen et al. (2006).

2.1.2. Domestic Ownership

Domestic ownership refers to the ownership in a company which the common shares held by the domestic both corporate and institutional rather than foreign. Domestic ownership sometimes become the debating issue with foreign ownership about which one is have the higher impact in corporate performance.

2.1.2.1. Domestic Corporate Ownership

Domestic corporate ownership refers to the common shares held by domestic corporations (i.e. Indonesian). In many emerging countries, domestic corporations are among the largest group of block holders (Claessens et al. 2000). These block holders usually have a longer investment horizon. Their monitoring incentives as well as their abilities are substantially greater than those of domestic financial institutions. The presence of large corporate shareholders also increases the likelihood that a firm is taken over.

2.1.2.2. Domestic Financial Institutional Ownership

Domestic institutional ownership refers to the common shares owned by domestic (i.e. Indonesian) financial institutions. This category includes ownership stakes by development financial institutions, insurance companies, commercial banks and mutual funds. Mostly, the domestic financial institutions are primarily government owned.

2.1.3. Managerial Ownership

Managerial or insider ownership is share owned by management which actively involved in the company's decision taking (directors and commissaries). So this managerial ownership is used as an important internal supervisor. Besides, managerial ownership is a bonding mechanism which is used to decrease agency conflict between management and shareholders (Megginson, 1997). Management

private wealth is related to the company's value was expected to make the management action in order to increase the company value.

Benefits of insider ownership will be partially or wholly offset by costs of inducing managers to undiversify their wealth. Managerial risk aversion and constraints on managerial wealth limit the willingness or ability of managers to become owners and so limit the supply of insider ownership. Risk-averse managers are willing to take a large position in any firm only at higher expected rates of return that compensate them for additional risk. Limits on managerial wealth make it more costly for managers to take control interests in large firms. Therefore, insider ownership should be inversely related to firm size. (Jensen, et al. 1992).

2.1.4. Government Ownership

Government ownership of business enterprises has been used to remedy for market weaknesses arising from externalities, monopoly concerns, and imperfect information, with the aim of accumulating or maintaining productive assets and of promoting economic development and independence. Arguments that government ownership is inherently inefficient are mostly based on agency problems arising from the private interests of political participants and collective interests in property rights. Irrespective of the theoretical arguments regarding government, the governments of many emerging countries have pursued market liberalization and privatization since the 1980s.

It is often argued that government ownership is inherently inefficient. Inefficiencies and imperfections in political markets allow politicians to pursue selfish political objectives at the expense of social welfare. In the case of state-controlled commercial corporations, this translates to sacrificing corporate wealth for private political gains (Bennedsen, 1999; Shleifer and Vishny, 1994; Shleifer and Vishny, 1998). Boycko et al. (1996) argues that a critical agency problem in state-controlled corporations lies with politicians rather than managers, because problems in corporate decisions arising from managerial discretion are usually minor relative to those arising from political discretion. Under government ownership, the managerial market is largely missing. Managers are usually chosen on the basis of ideological or political reasons rather than their managerial ability (Havrylyshyn and McGettigan, 1999). The inability of managers further exacerbates the inefficiency of government ownership.

Blanchard and Shleifer (2000) note that government ownership can benefit firms under their control through preferential commercial treatment and governance advantages. Government ownership in business may be more efficient than regulation of private enterprises when large investments in specific assets are needed (Shirley, 1999). Even more, Government control can provide better checks on managerial discretion and can mitigate expropriation of shareholder wealth by managers (Qian, 1996).

The relation between government ownership and firm performance has variously been shown to be positive (Cho and Kim, 2007), negative (Qi et al.,

2000; Sun and Tong, 2003; Xu and Wang, 1997), and mixed (Gursoy and Aydogan, 1998; Wei and Varela, 2003).

2.1.5. Public Ownership

Public investment in Indonesia covers two main investments: portfolio investment and other investment. Portfolio investment includes the SBI, SUN and the obligation issued by the government in foreign currency during the recent years, which is also called global bond. There is an increase in the number of portfolio investors in the public sector during the recent years. Some of factors leading to the increase in the number of portfolio investors are the improvement in interest rate and maturity yield in the SBI, SUN, Surat Berharga Negara (SBN) and the sovereign bond rating of Indonesia. The other investment in the public sector performs better in the last two years. But, it is still not as stable as the portfolio investment in the public sector. The other investment includes foreign loan and repayment of foreign loans by the government. The government's foreign loans are denominated in the US currency (Angela and Lee, 2011).

These loans are borrowed to facilitate the government's programs and projects on the development of facility and infrastructure. However, the government is trying to decrease the amount of foreign loans by doing debt swap.

2.2. Return on Asset (ROA)

According to Darsono (2005:54), Return on Asset (ROA) Ratio is the ratio which used to account the comparison between net income and total asset in a

company. Total asset is taken from total asset in first year added with total asset in the last year divided two. Return on Asset also can be found from total asset in first year multiplied with asset turn over. Asset turnover is the calculation of net selling divided with total current asset-fixed asset average. Return on Asset also called as *earning power* based on Du Pont system. This ratio described the ability of company to create profit from every value of asset which used in business activity of the company. With this ratio, we can measure the efficiency of company in using its asset in the company operational activity. This ratio also gives the appropriate and better measurement of company profitability because it shown the management effectiveness in using the asset to get profit. The formula that used to measure Return on Asset Ratio (ROA) is below.

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Asset}} \times 100\%$$

2.3. Sales

Total sales are a proxy for the size of the firm. Size of a firm can have a significant influence over the performance of a firm. Large firms are able to exploit substantial economies of scale and scope. Alternatively, smaller firms tend to more nimble and adaptive to changes in the competitive environment. Sales of bank will be the control variable which controls the influence of independent variable to the dependent variable which is ROA. Sales of bank can be represented from interest income because the main income from bank is interest income.

2.4. Banking Performance

The problem of banking and financial system soundness has become more important in all countries over the recent years. The financial sector, and especially the banking system, is vulnerable to systemic crises which has led to the creation of costly safety nets, as depositor insurance schemes with well-known moral hazard problem (Aarma and Vainu, n.d.). It is argued that there is increasing evidence that banks are “black boxes” due to the weak transparency and banks’ unwillingness to disclose information (Hyytinen and Takalo, 2002 & 2003).

To measure banks’ creditworthiness and risk exposures is a complicated issue and it is not easy to interpret banks’ accounting data. It is in line with what Kaminsky & Reinhart said (1999, page 476)

“Indicators of business failures and nonperforming loans are also usually available only at low frequencies, if at all; the latter are also made less informative by banks desire to hide their problems for as long as possible.”

This means that it is needed to use as fully and complexly as possible all available financial information from the official financial statements of banks for making financial analysis of banks’ performance.

Concerning bank performance, Magalhaes et al. (2010) does find evidence of a cubic relationship between ownership concentration and bank performance (positive, negative and positive). Such evidence is supportive of theoretical hypotheses of monitoring effect at low ownership concentration, expropriation or loss of managerial discretion effects from moderate to high ownership concentration, and high costs (and absence) of expropriation at very high

concentrated ownership. A similar cubic relationship between performance and insider ownership was found by Morck *et al.* (1988) for non-financial firms.

Regarding shareholders' protection laws affecting bank performance, Magalhaes *et al.* (2010) find that they interact with ownership concentration to influence the performance of banks with dispersed ownership structure. For this sub-sample of banks, our evidence is that increasing ownership concentration is more important to increase bank performance when protection of shareholders is low. Such evidence is very similar to the one Caprio *et al.* (2007) find for large banks. Turning to bank regulations, we find that ownership concentration is more important to increase the performance of banks with dispersed ownership structures when either capital regulations are stricter or competition in the bank industry is stronger.

In carrying out bank performance analysis, it is important to emphasize that banks differ in their corporate governance from firms in other, less regulated industries. These differences, in turn, present their own challenges for bank managers, regulators, depositors, investors, and other stakeholders. Other statement is told by Harm (2002, page 5)

“Bank managers live in a more complex environment than their peers in industry due to bank regulations. In addition to the demands placed on them by shareholders, regulators have strong incentives to influence managerial action, and this may be in conflict with shareholder demands”

Governance is a set of mechanisms with which the providers of capital and other stakeholders are defending their interests against the firm. The firm is run by managers, and this a point where conflicts of interests starts. An excellent survey

of recent literature (both theoretical and empirical) is also presented by Harm (op. cit., pp. 109-128).

2.5. Theoretical Framework and Hypotheses Formulation

In their analysis of US research on the link between equity and performance, Dalton et al. (2003) suggest one ownership category may effectively substitute for another, with implications for corporate performance. Using statistical meta-analytic methods, they examined the diverse empirical results regarding the relations between ownership type and firm performance. In this case, it will analyze in banking industry.

Most empirical work about the impact of ownership has focused on government versus private ownership, domestic versus foreign ownership and ownership by insiders (managers and workers) versus outsiders. While useful as a first-order approximation, a finer division that reflects the patterns observed in the real world is needed to arrive at a clear understanding of the effects of ownership and corporate governance. Our analysis, based on five types of domestic and two types of foreign ownership, which are likely to have differing implications for objectives, constraints and other aspects of corporate governance, provides a step in this direction.

Chibber and Majumdar (1999), Khanna and Palepu (2000a) and Sarkar and Sarkar (2000) find a strong positive influence of foreign ownership on corporate performance. Companies with larger foreign shareholdings presumably have superior access to technical and financial resources. They are also endowed

with superior managerial capital. Otherwise, the company with the lower foreign shareholdings has the inferior managerial capital and performance. This takes us to the first hypothesis:

H1: Foreign ownership positively affects corporate performance.

In the other hand, domestic financial institution form a significant chunk of the total shareholding of company, and consist of development financial institutions, insurance companies, banks and mutual funds. The common thread among all of these disparate domestic financial institutions is that they are predominantly government owned and consequently face the commonly associated problems of having the government as the principal shareholder.

In many emerging countries, domestic corporations are among the largest group of block holders (Claessens et al. 2000). These block holders usually have a longer investment horizon. Their monitoring incentives as well as their abilities are substantially greater than those of domestic financial institutions. The presence of large corporate shareholders also increases the likelihood that a firm is taken over. These domestic corporations are therefore likely to have both the incentives and the skills to act as good monitors, which form the basis for the second hypothesis:

H2: Domestic ownership positively affects corporate performance.

Jensen and Meckling (1976) postulate that owner managers with significant shareholdings lead to 'reduced on the job consumption' and a greater convergence of interest between the principal and the agent. In view of the preponderance of family based firm in emerging markets in general, this postulate

assumes more significance. Owner managers have a strong incentive to manage their companies well and generate wealth as their fortunes are tied to the well being of the company. They are after all the promoters of the company and they have the greatest stakes (both in tangible as well as intangible terms) associated with the success and failure of the companies. Therefore, we find the hypothesis:

H3: Ownership by owner managers or managerial positively affects corporate performance.

There are four issues about government in corporate especially bank. First, government ownership of banks is large and pervasive around the world even in 1990s. Second, such ownership is larger in countries with low levels of per capita income, underdeveloped financial systems, interventionist and inefficient government, and poor protection of property rights. Third, government ownership of banks in 1970s is associated with slower subsequent financial development. Finally, government ownership of banks is associated with lower subsequent growth of per capita income, and in particular with lower productivity growth rather than slower factor accumulation. These negative associations are not weaker in the less developed countries. The result is consistent with the political view of government ownership of firms, including banks, according to which such ownership politicizes the resource allocation process and reduces efficiency. Ultimately, and in line with the latter theories, government ownership of banks is associated with slower financial and economic development, including in poor countries. This led us to the following hypothesis:

H4: Government ownership negatively affects corporate performance.

Public ownership just has little portion in ownership structure. That is why, it has no access and power in company' decision making. With this condition, public did not has significant influence to the company. But, public is affected by market and economic condition. If the economic growth is bad, the public ownership will be give impact in stock board and so in the opposite. The impact of public ownership in the banking system on subsequent per capita GDP growth depends strongly on a country's stage of financial development and on the quality of its political institutions. In hardly developed countries with low financial development and poor political institutions, the impact of public ownership of banks on economic growth is strongly negative. However, in an environment typically observed in highly developed countries, public ownership in the banking system has no negative impact at all. In several specifications, we even find a statistically significant positive effect of public ownership. Then, the last hypothesis will going to this statement:

H5: Public ownership negatively affects corporate performance.

CHAPTER III

RESEARCH METHOD

This chapter is aimed at giving a view of how this research is conducted and explaining the research method used by the researcher. Part of this chapter elaborates more about research subject, research variables, research procedures, technique of data analyzing and hypothesis testing.

3.1. Research Method

This research employs statistic descriptive method. The focus of this research is on the influence of ownership types to the corporate performance especially banking industry. Here, multiple regression analysis is used. The analysis makes use of independent variable to explain the variation Y by using more than one independent variable. The variation Y is better to be explained first, so that the more accurate prediction of the relationship between dependent variable and independent variables is known.

3.2. Research Subject

3.2.1. Population

A population is the set representing all measurements of interest to the sample collector (Mendenhall, 1990). The population in this research from which the samples are derived refers to all banking industry include of go public bank in

Indonesia listed in Jakarta Stock Exchange from the period of January 2008 to December 2010. The focus of this research is in the year 2008-2010.

3.2.2. Sample

In this research, the corporate that has been chosen as population is banking industry. The samples are taken based on purposive sampling method in order to obtain representative samples according to the predetermined criteria:

1. Conventional public banks listed in Jakarta Stock Exchange operated in Indonesia from January 2008 to December 2010.
2. Those banks still operated until 2010.
3. The company stock already listed in Jakarta Stock Exchange minimum since 2003 for go public banking industry.
4. Availability of all shareholders complete with the ownership proportion.
5. Availability of financial report audited and annual publication in year 2008 until 2010 which consist of: Balance Sheet, Income Statement, and Net Profit, and other financial report of bank.

Table 3.1

LIST OF CONVENTIONAL GO PUBLIC BANKS YEAR 2008-2010

No	Code	ICMD	Listed Bank
1	BBNI	C01	PT. Bank Negara Indonesia (Persero), Tbk
2	BBRI	C01	PT. Bank Rakyat Indonesia (Persero), Tbk
3	BBTN	C01	PT. Bank Tabungan Negara (Persero), Tbk
4	BMRI	C01	PT. Bank Mandiri (Persero), Tbk
5	AGRO	C01	PT. Bank Agroniaga, Tbk

6	BABP	C01	PT. Bank ICB Bumiputera, Tbk
7	BACA	C01	PT. Bank Capital Indonesia, Tbk
8	BAEK	C01	PT. Bank Ekonomi Raharja, Tbk
9	BBCA	C01	PT. Bank Central Asia, Tbk
10	BBKP	C01	PT. Bukopin, Tbk
11	BBNP	C01	PT. Bank Bank Nusantara Parahyangan, Tbk
12	BDMN	C01	PT. Bank Danamon, Tbk
13	BEKS	C01	PT. Bank Eksekutif Internasional, Tbk
14	BKSW	C01	PT. Bank Kesawan, Tbk
15	BACA	C01	PT. Bank Capital Indonesia, Tbk
16	BNGA	C01	PT. Bank CIMB Niaga, Tbk
17	BNII	C01	PT. Bank International Indonesia, Tbk
18	BNLI	C01	PT. Bank Permata, Tbk
19	BSWD	C01	PT. Bank Swadesi, Tbk
20	BTPN	C01	PT. Bank Tabungan Pensiunan Nasional, Tbk
21	BVIC	C01	PT. Bank Victoria International, Tbk
22	INPC	C01	PT. Bank Artha Graha Internasional, Tbk
23	MAYA	C01	PT. Bank Mayapada, Tbk
24	MCOR	C01	PT. Bank Windu Kentjana International, Tbk
25	MEGA	C01	PT. Bank Mega, Tbk
26	NISP	C01	PT. Bank OCBC NISP, Tbk
27	SDRA	C01	PT. Bank Himpunan Saudara 1906, Tbk

Source: ICMD

Based on the sample criteria collection, therefore the banks which fulfill the requirement to be observed are below:

Table 3.2

LIST OF CONVENTIONAL GO PUBLIC BANKS YEAR 2008-2010

No	Code	ICMD	Listed Bank
1	BBNI	C01	PT. Bank Negara Indonesia (Persero), Tbk
2	BBRI	C01	PT. Bank Rakyat Indonesia (Persero), Tbk
3	BMRI	C01	PT. Bank Mandiri (Persero), Tbk
4	AGRO	C01	PT. Bank Agroniaga, Tbk
5	BABP	C01	PT. Bank ICB Bumiputera, Tbk
6	BBCA	C01	PT. Bank Central Asia, Tbk
7	BBKP	C01	PT. Bukopin, Tbk
8	BDMN	C01	PT. Bank Danamon, Tbk
9	BEKS	C01	PT. Bank Eksekutif Internasional, Tbk
10	BACA	C01	PT. Bank Capital Indonesia, Tbk
11	BNGA	C01	PT. Bank CIMB Niaga, Tbk
12	BNII	C01	PT. Bank International Indonesia, Tbk
13	BNLI	C01	PT. Bank Permata, Tbk
14	BSWD	C01	PT. Bank Swadesi, Tbk
15	BVIC	C01	PT. Bank Victoria International, Tbk
16	INPC	C01	PT. Bank Artha Graha Internasional, Tbk
17	MAYA	C01	PT. Bank Mayapada, Tbk

18	MEGA	C01	PT. Bank Mega, Tbk
19	NISP	C01	PT. Bank OCBC NISP, Tbk

3.3. Research Setting

The research is conducted in Jakarta Stock Exchange corner in Islamic University of Indonesia – Indonesia’s Capital Market Directory. The data also are collected from secondary data taken from Bank Indonesia website and Jakarta Stock Exchange. The secondary data consist of financial report and the proportion each of share ownership in the year 2008-2010.

3.4. Research Variables

3.4.1. Dependent Variable

In this thesis, the writer uses the Dependent Variable - corporate performance. The indicator to measure the bank performance in this research is Return on Asset (ROA). This ratio will show the ability of all capital invested in all assets to get profit. To put it another way, this ratio is used to describe the productivity of certain bank (how much the wealth and capital should be earned and used to get some profit). If the ratio is higher, then the bank is more productive in managing its asset.

$$ROA = \frac{\text{Net Income}}{\text{Total Asset}} \times 100\%$$

3.4.2. Independent Variables

Therefore, the independent variables that are included are:

1. Foreign Ownership: $\frac{\text{Portion of Foreign Institutional + Corporation}}{\text{Number of Stock Outstanding}} \times 100\%$
2. Domestic Ownership: $\frac{\text{Portion of Domestic Financial + Non Financial}}{\text{Number of Stock Outstanding}} \times 100\%$
3. Managerial Ownership: $\frac{\text{Portion of Managerial Ownership}}{\text{Number of Stock Outstanding}} \times 100\%$
4. Government Ownership: $\frac{\text{Portion of Government Ownership}}{\text{Number of Stock Outstanding}} \times 100\%$
5. Public Ownership: $\frac{\text{Portion of Public Ownership}}{\text{Number of Stock Outstanding}} \times 100\%$

3.4.3. Control Variable

The control variable in this research employs the total sales from each data. The variable, total sales are a proxy for the size of the firm. Size of a firm can have a significant influence over the performance of a firm. Large firms are able to exploit substantial economies of scale and scope. Alternatively, smaller firms tend to more nimble and adaptive to changes in the competitive environment. The sales are taken from each bank that becomes the sample data in this research. In addition, the sales are taken from interest income as the main income of the bank.

3.5. Test of Classical Assumption of Regression

Before the Linear Multiple Regression test done in the formula, firstly the formula should be tested in Multicollinearity, Heteroscedasticity, and also Autocorrelation. It is conducted in order to find the most accurate result about the effect of both variables, which are dependent variable and independent variables.

3.5.1. Multicollinearity test

This test is aimed to identify any relationship among independent variables in the regression model. If some or all independent variables are strongly correlated, then there is multicollinearity on the regression model used. This can cause inaccuracy estimation so it can direct to reach a null hypothesis. This test is carried out by using VIF (Variance Inflation Factor), TOL (Tolerance) and Pearson Correlation Matrix.

Rule of thumb that is used to determine that the tolerance value (TOL) is not risky toward the multicollinearity symptoms is 0.10. The VIF value is under 10 for all independent variables to be free from multicollinearity symptom.

3.5.2. Autocorrelation

Autocorrelation is the other test in classical assumption regression.

Gujarati (1995, page 442) says

“Autocorrelation may be define as correlation between members of series of observations ordered in time (as in time series data) or space (as in cross sectional data).”

If on the regression model an autocorrelation happened, then the OLS estimator is still consistent but not efficient. In order to detect the autocorrelation symptom we use Durbin-Watson (d) statistic. As the rule of thumb, d value which shows the unharmed autocorrelation symptom that shows on the table below:

Table 3.3

Autocorrelation Symptom

Value of d based on the regression model	Conclusion
--	------------

$0 < d < d_L$	There is a positive autocorrelation in regression model
$d_L < d < d_U$	No conclusion
$d_U < d < 4 - d_U$	No autocorrelation exist in the regression model
$4 - d_U < d < 4 - d_L$	No conclusion
$4 - d_L < d < 0$	There is a negative autocorrelation in regression model

3.5.3. Heterocedasticity test

Heterocedasticity test means there is no difference in the standard value of deviation of dependent variable and each independent variable value. If heteroscedasticity happens on the regression model then the estimation of regression coefficient will be inefficient. We can use the graph method by doing a plot on regression to find out heteroscedasticity symptoms. If there is an exact pattern like dots that shaping an exact regular pattern (waved, wide then narrowed) then heteroscedasticity happen, if there is no exact pattern and dots are spread up and under the zero number on y axis then heteroscedasticity not happened (Singgih, 2000).

3.6. Hypothesis Testing

To test the hypotheses proposed about the significance of dependent and independent variables t-test and F-test, the statistical analyses tool is used.

1. Testing the regression hypothesis partially can be done by t-test, if t-statistic $>$ t-table then H_0 is rejected, and so in vice versa. To make the calculation easier, we can use SPSS as a helping tool. How close the relationship among each variables partially can be seen from its significant level, if the significant level $< \alpha$ ($\alpha = 0.05$), then partially those independent variables are able to explain the changes on dependent variable significantly, so is the opposite. This test can be carried out after the linear multiple regressions used is free from classical assumption test collision, so the result can be interpreted.
2. Testing the regression hypotheses simultaneously can be done by F-test, if the F-statistic $>$ F-table then H_0 hypotheses are rejected. Independent variables simultaneously can explain the dependent variables changes significantly, if the significant independent variables is lower than α , and vice versa.
3. To find out the model's strength in predicting, we can see it from the determination coefficient (R^2).

3.7. Linear Multiple Regression

The principal assumptions in multiple regression analysis are similar to the assumption in simple linear regression analysis;

1. The independent variables and the dependent variable have a linear relationship.
2. The dependent variable is a continuous random variable, whereas the independent variables are controlled and therefore are not random.

3. The variances of the conditional distributions of the dependent variable given various combinations of values of the independent variables are equal.
4. Successive observed values of the random variable are uncorrelated.
5. The conditional distributions of the dependent variable, given various combinations of values of the independent variables are all normal distributions.

3.8. Research Procedure

To find effect and relationship between dependent variable and independent variables in the formula, several procedures must be followed:

1. Data are taken from the financial report issued by the bank in Jakarta Stock Exchange in the year 2008-2010.
2. Data for the research are tested first by using classical assumption test, which consists of Multicollinearity test, Autocorrelation test, and Heteroscedasticity test. There are several steps of test that should be followed, if the result of these three tests is high. If not, vice versa, the calculation process can be done directly.
3. Tested by using Linear Multiple Regression
4. Analyze t-test result
5. Analyze F-test result

3.9. Technique of Data Analysis

The following regression model is designed to regress corporate performance on independent variables of ownership structures:

$$\text{Performance: } a_0 + a_1 \text{ FOR} + a_2 \text{ DOM} + a_3 \text{ MGR} + a_4 \text{ GOVT} + a_5 \text{ PUBL} + a_6 \text{ Log_Sales} + e \dots \dots \dots (3.2)$$

Where:

- a0 : constant coefficient
- a1 – a5 : regression coefficient of each independent variable
- a6 : control variable which take Sales as indicator
- Performance : Bank Performance which take ROA as indicator
- FOR : Foreign Ownership
- DOM : Domestic Ownership
- MGR : Managerial Ownership
- GOVT : Government Ownership
- PUBL : Public Ownership
- ROA : Return on Asset
- Log_Sales : Sales
- e : Error Term



Statistical hypothesis for hypothesis no.1:

H0: $a_1 \leq 0$

HA: $a_1 > 0$

H01: Foreign Ownership has no positive influence with ROA.

HA1: Foreign Ownership has positive influence with ROA.

Statistical hypothesis for hypothesis no.2:

H0: $a_2 \leq 0$

HA: $a_2 > 0$

H0: Domestic Ownership has no positive influence with ROA.

HA: Domestic Ownership has positive influence with ROA.

Statistical hypothesis for hypothesis no.3:

H0: $a_3 \leq 0$

HA: $a_3 > 0$

H0: Managerial Ownership has no positive influence with ROA.

HA: Managerial Ownership has positive influence with ROA.

Statistical hypothesis for hypothesis no.4:

H0: $a_4 \leq 0$

HA: $a_4 > 0$

H0: Government Ownership has no correlation influence with ROA.

HA: Government Ownership has negative influence with ROA.

Statistical hypothesis for hypothesis no.5:

H0: $a_5 \leq 0$

HA: $a_5 > 0$

H0: Public Ownership has no correlation influence with ROA.

HA: Public Ownership has negative influence with ROA.



CHAPTER IV
RESEARCH FINDINGS, DISCUSSIONS, AND
IMPLICATIONS

This chapter explains the early process of data gathering, measurement of variables used in this research, the data analysis and the interpretation of hypothesis testing of the explanations on research findings, discussions and implications.

4.1. Research Description

4.1.1. Preliminary Research Preparation

This research begins by studying the literatures, journals, library references and websites to get in depth information on the topic. The data needed for this research are gathered from financial statement summaries that constitute in the Indonesian Capital Market Directory (ICMD) for year 2008-2010, from the capital Market Data Base of Jakarta Stock Exchange Corner at FE UII Yogyakarta. This research also takes advantage of other relevant source with criterion:

- a. Companies selected as samples of this research consist of 19 companies which deal with banking industry. The number of samples has been shortened in order to fulfill the requirements in this research with the completeness of data

based on the research variable. The 19 companies were listed in Jakarta Stock Exchange at the period of 2008-2010

- b. The data used in this research cover the profit, total asset, sales, ROA, foreign ownership, domestic ownership, managerial ownership, government ownership and public ownership of the banks (19 banks), within the period 2008-2010.
- c. Calculating the raw data to get fixed variables - profit, total asset, sales, foreign ownership, domestic ownership, managerial ownership, government ownership and public ownership.

4.1.2. Research Process

This research makes use of quantitative data. Firstly, a sample should be chosen to obtain the data to be used as the variables for this research. The sample that is employed in this research is from banking industry - 19 banks for the year 2008-2010 from Indonesian Capital Market Directory and Jakarta Stock Exchange. The total number is always the same each year from 2008-2010 because the research requirements state that the companies which are selected to be the research samples should be continuously listed in the Jakarta Stock Exchange at the year 2008-2010. The companies should have the information for dependent variables; ROA. For independent variable; the companies should have the information about foreign financial institutional ownership, foreign corporate ownership, domestic financial institutional ownership, domestic corporate ownership, managerial ownership, government ownership and public ownership.

They have been selected due to fulfillment of the requirements. There are several steps in this research process. They are:

1. Finding net income or profit divided to total asset to find the Return on Asset as dependent variable for all of hypothesis and operational income and operational expense to find the control variable.
2. Finding the other independent variables; foreign financial institutional ownership, foreign corporate ownership, domestic financial institutional ownership, domestic corporate ownership, managerial ownership, government ownership and public ownership in percentage and sales/size.
3. Integrate all of the variables into the formula.

The hypothesis testing is done by statistical testing method, for the measurement of variable. Microsoft Excel is used and the data are then processed using SPSS 12 for the statistical calculation.

4.2. Research Findings and Discussion

4.2.1. Test of Classical Assumption of Regression

The results of the classical assumption below will describe the validity of data used for this research.

a. Multicollinearity test

This test is aimed to identify any relationship among independent variables in the regression model. If some or all independent variables are strongly correlated, then there is multicollinearity on the regression model used. This can cause inaccuracy estimation so it can direct to reach a null hypothesis. This test is

conducted by using VIF (Variance Inflation Factor), TOL (Tolerance), and Pearson Correlation Matrix.

Table 4.1

Analysis Results of Multicollinearity for Model 1

$$ROA = a_0 + a_1 \text{ FOR} + a_2 \text{ DOM} + a_3 \text{ MGRL} + a_4 \text{ GOVT} + a_5 \text{ PUBL} + a_6 \text{ Log_Sales} + e$$

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
FOR	0.105	9.482
DOM	0.139	7.193
MNGR	0.273	3.657
GOVT	0.213	4.685
PUBL	0.405	2.471
Log_Sales	0.422	2.371

Source: Appendix 3

Based on Tolerance value (TOL), all independent variables of this research is higher than 0.10. The rule of thumb used to determine that the tolerance value is not risky toward the multicollinearity symptom is 0.10. The result shows that the tolerance value is less than 0.10 and for all independent variables in this research the VIF value is less than 10. From the result above, we find that there is no multicollinearity among independent variables in the regression model.

b. Autocorrelation test

In order to detect the autocorrelation symptom we use Durbin-Watson (d) statistic. The Durbin-Watson value for the regression model in this research is 1.619. Based on Durbin-Watson table by using $N = 57$ and $k = 6$ then $dU = 1.814$

and $dL = 1.334$. So, the value of $dL < d < dU$ for the regression model is $1.814 < 1.619 < 2.186$. The result shows the fact that based on the autocorrelation symptom, there is no conclusion happened in the regression.

c. Heterocedasticity test

If heteroscedasticity occurs on the regression model then the estimation of regression coefficient will be inefficient. We can use the graph method by doing a plot on regression to find out heteroscedasticity symptoms.

Based on the scatter plot graph on the regression result by using SPSS 12, it shows that the dots are spread up randomly, not shaping an exact pattern and it spread up and under the zero number on y axis. This demonstrated that there are no heterocedasticity symptoms happened in the regression model.

Based on the result of test of classical assumption of regression – multicollinearity, autocorrelation and heterocedasticity, the regression model used in this research is already exempted from the classical assumption collision. So, we can continue to do the hypothesis testing.

4.2.2. The Result of Linear Multiple Regression Test Statistically

Linear Multiple Regression model is the model that is used to estimate the value of ROA as the dependent variable by using more than one independent variable (foreign ownership, domestic ownership, government ownership, managerial ownership and public ownership). The statistic results are the result of calculation done by SPSS 12 for the Regression model. It is displayed on the table below:

Table 4.2

Coefficients

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.024	.031		-.772	.444
	FOR	-.002	.016	-.047	-.147	.883
	DOM	-.009	.017	-.153	-.550	.585
	MNGR	-.059	.022	-.541	-2.733	.009
	GOVT	-.004	.017	-.052	-.234	.816
	PUBL	.021	.019	.175	1.074	.288
	Log_Sales	.005	.004	.220	1.378	.174

a. Dependent Variable: ROA

Source: Appendix 3

From the table above the regression model can be written as:

$$ROA = -0.024 - 0.002FOR - 0.009DOM - 0.059MNGR - 0.004 GOVT + 0.021 PUBL + 0.005Log_Sales \dots \dots \dots (4.2.2.1)$$

$$Sig. = (0.444) (0.883) (0.585) (0.009) (0.816) (0.288) (0.174)$$

$$t = (-0.772, -0.147, -0.550, -2.733, -0.234, 1.704, 1.378)$$

4.2.3. Partial Influence (t-test)

Testing the regression hypothesis partially can be done by t-test, if t-statistic > t-table then H0 is rejected, and so in the opposite. How close the relationship among each variables partially can be seen from its significant level, if the significant level < α (α = 0.05), then partially those independent variables

are able to explain the changes on dependent variable significantly, so in the opposite.

• **H1: Foreign Ownership has a positive influence to ROA**

The first hypothesis (HA1) proposed in this research is foreign ownership has a positive influence on ROA. Based on the calculation on the Appendix 3, t-statistic is -0.147 and the significant level is 0.883 while t-table is 1.943. From t-statistic which is less than t-table ($t\text{-statistic} = -0.147 < t\text{-table} = 1.943$) and the significant level is higher than 0.05 which is 0.883, it means that foreign ownership level has no influence or has the negative influence on the ROA in the bank, and partially the first hypothesis (HA1) is rejected or in the other word, H0 is accepted.

Based on the regression coefficient of foreign ownership on Appendix 3, which is -0.002, it means that foreign ownership has no straight relation to the ROA. This result is completely different from the research conducted by Douma et al. (2002) who found the positive influence on the ROA. The two components of foreign ownership which are foreign corporation and foreign institutions have the opposite result when used ROA as consideration. He found that the variable ownership represented by foreign corporation give a positive and significant influence, but ownership by financial institutions failed its statistical significant completely. Otherwise, in this research, the foreign ownership becomes one entity so that the result is completely different from the previous research.

From the research result, it shows the level significance is 0.883 or higher than 0.05 ($\alpha = 0.05$) so this result is different from Douma's research (2002)

which has the positive significant between foreign ownership and ROA. In the regression study, foreign ownership has no positive significant influence to ROA with negative coefficient. The negative coefficient might because some reasons. First, foreign has the higher capability measurement such as job rotation, job training and changing in culture or culture shock. This condition enforces the company to spend higher cost in human resources department. Second, foreign entity will introduce the new model, character, and behavior bank environment. The different of language and way of thinking can create a barrier for the local employee to work comfortable in the workplace.

• **H2: Domestic Ownership has a positive influence to ROA**

The second hypothesis (HA2) proposed in this research is that domestic ownership has a positive influence on ROA. Based on the calculation on the Appendix 3, t-statistic is -0.550 and the significant level is 0.585 while t-table is 1.943. From t-statistic which is less than t-table ($t\text{-statistic} = -0.550 < t\text{-table} = 1.943$) and the significant level is higher than 0.05 which is 0.585, then it means that domestic ownership level has no influence or has the negative influence on the ROA in the bank, and partially the second hypothesis (HA2) is rejected or in the other word, H0 is accepted.

Based on the regression coefficient of domestic ownership on Appendix 3, which is -0.009, it means that domestic ownership has no straight relation to the ROA. Douma et al (2002) found that there is a positive influence between domestic ownership and ROA but it just happens in domestic corporate ownership. It occurs because there is a large external domestic block holder,

which has a positive and significant influence on the corporate performance. It is broadly in agreement with Sarkar and Sarkar (2000) who find that corporate shareholding beyond 25 percent positively and significantly influence company value.

In the other hand, the domestic financial institution has the negative influence on ROA. There are some reasons why domestic ownership has negative influence on corporate performance. Firstly, there is a lack of proper incentives for effective monitoring. Secondly, the fact that the monitoring functions is not the primary objective of these primarily government-owned institutions. Thirdly, the competition between these financial intermediaries is non-existent, that there is hardly any self monitoring (monitoring of the monitor) (Douma et al, 2002).

From the research result, it shows the level significance is 0.585 or higher than 0.05 ($\alpha = 0.05$) so this result is different from the research done by Douma et al. (2002) which has positive correlation between domestic ownership and ROA but not in domestic corporate ownership. In the regression study, domestic ownership has no positive influence to ROA. The negative coefficient happens because domestic ownership including corporate and financial institutions have their own company that they must be monitored and controlled more than the company they were invested in. it is not effective for the bank because these domestic corporation and financial institution do not pay fully attention to the bank.

• **H3: Managerial Ownership has a positive influence to ROA**

The third hypothesis (HA3) proposed in this research is managerial ownership has a positive influence on ROA. Based on the calculation on the Appendix 3, t-statistic is -2.733 and the significant level is 0.009 while t-table is 1.943. From t-statistic which is less than t-table (t-statistic = -2.733 < t-table = 1.943) and the significant level is lower than 0.05 which is 0.009, then it means that managerial ownership level has significant influence or has the positive influence on the ROA in the bank, and partially the third hypothesis (HA3) is accepted or in the other word, H0 is rejected.

Based on the regression coefficient of managerial ownership on Appendix 3, which is -0.059, it means that managerial ownership has straight relation to the ROA. This result is in line with the Demsetz & Villalonga (2001, page 214)

“Management holdings include shares owned by members of the corporate board, the CEO, and top management. A board member, for example, may have a position on the board because he has, or represents someone who has, large holdings of the company’s stock. Insider board members that really are, or that really represent, outside investor interests may not be rare.”

Another finding about positive relation of managerial ownership and corporate performance also offered by Hermalin and Weisbach (1988) which measure the effect of managerial ownership on ROA performance. The all of CEO and other parties who held the shares in existing board figure the managerial ownership in a company. Managerial ownership also covers the board composition. Board composition is the directors who come from outside of company. The result also similar with the research had been done by Douma et al which found the positive influence among managerial ownership and ROA.

From the research result, it shows the level significance is 0.009 or lower than 0.05 ($\alpha = 0.05$) so this result similar with the research done by Douma et al. (2002) which has the positive relation between managerial ownership and ROA. In the regression study, managerial ownership has positive significant influence to ROA with negative coefficient which is -0.059. This means that increasing in foreign ownership can decrease the profitability of banks.

• **H4: Government Ownership has a negative influence to ROA**

The fourth hypothesis (HA4) proposed in this research is government ownership has a negative influence on ROA. Based on the calculation on the Appendix 3, t-statistic is -0.234 and the significant level is 0.816 while t-table is 1.943. From t-statistic which is less than t-table (t-statistic = -0.234 < t-table = 1.943) and the significant level is higher than 0.05 which is 0.816 then it means that government ownership level has no significant correlation or has no influence to the ROA in the bank, and partially the fourth hypothesis (HA4) is rejected or in the other word, H0 is accepted.

Based on the regression coefficient of managerial ownership on Appendix 3, which is -0.004, it means that government ownership has no straight relation to the ROA. According to the Blanchard and Shleifer (2000), government ownership has a positive influence on the corporate performance. They note that government ownership can benefit firms under their control through preferential commercial treatment and governance advantages. Government ownership in business may be more efficient than regulation of private enterprises when large investments in specific assets are needed (Shirley, 1999). Even more, Government control can

provide better checks on managerial discretion and can mitigate expropriation of shareholder wealth by managers (Qian, 1996).

From the research result, it shows the level significance is 0.816 or higher than 0.05 ($\alpha = 0.05$). In the regression study, there is no correlation influence of government ownership to ROA. It is because government tends to be political objective than economic objective. With the case of financial institution which is bank, government goals is both, development and political. In the development objective, government gives authority to collect the savings and give direction to banks to arrange long-term project. It means that using some of finance project, government led the bank to generate aggregate demand in market and other externalities nurturing growth. In the political objective, government has authority to create and control political project. The kind of project is doing privatization of banks for country sake or hidden political objective in that policy and another policy that will give positive or negative effect to the bank.

• **H5: Public Ownership has a negative influence to ROA**

The last hypothesis (HA5) proposed in this research is public ownership has a negative influence on ROA. Based on the calculation on the Appendix 3, t-statistic is 1.378 and the significant level is 0.288 while t-table is 1.943. From t-statistic which is less than t-table ($t\text{-statistic} = 1.074 < t\text{-table} = 1.943$) and the significant level is higher than 0.05 which is 0.288, then it means that public ownership level has no significant influence on the ROA in the bank, and partially the fifth hypothesis (HA5) is rejected or in the other word, H0 is accepted.

Based on the regression coefficient of managerial ownership on Appendix 3, which is 0.021, it means that government ownership has no straight relation to the ROA. In the previous research had conducted by Korner & Schnabel (2010), they found the positive influence in the public ownership of banks. According to them, the impact of public ownership in the banking system on subsequent per capita GDP growth depends strongly on a country's stage of financial development and on the quality of its political institutions. These results are in line with empirical studies at the individual bank level (Micco et al., 2007; Dinc, 2005), which detect differences in the behavior and performance of private and state-owned banks in less developed countries, but not in developed countries.

From the research result shows the level significance is 0.288 or higher than 0.05 ($\alpha = 0.05$) so this result is different with the research done by Korner & Schnabel (2010), which has the positive relation between public ownership and ROA.

In the regression study, public ownership has no correlation or has no significant influence with ROA. Public ownership has strong relationship with economic growth. The impact of public ownership on growth depends on the quality of a country's political institutions and governance structures. In countries where political decision makers are relatively free to pursue their private objectives, there is a strong negative effect of public ownership on growth, as long as the country's financial development is not too high (Korner and Schnabel, 2010). Hence, financial development and political institutions appear to be substitutes regarding their mitigating effects on the impact of public ownership of

banks on economic growth. Actually, the impact of public ownership on shareholders board is not statistically extreme. It is because they have very limited access and power in company's decision making with their little portion of stock in stock ownership. That's why they do not have significant correlation with bank performance.

4.2.4. Simultaneous Test (F-test)

Testing the regression hypotheses simultaneously can be done by F-test. This test is carried out to find out whether independent variables used on the regression model simultaneously can explain the dependent variable's volatility. In this research F-test is done to find out whether foreign ownership, domestic ownership, government ownership, managerial ownership and public ownership also sales simultaneously can explain ROA's volatility.

The value of F-statistic of the regression model can be seen on the table below:

Table 4.3

Value of F-statistic

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.009	6	.002	7.210	.000 ^a
	Residual	.010	50	.000		
	Total	.019	56			

a. Predictors: (Constant), Log_Sales, FOR, MNGR, PUBL, GOVT, DOM

b. Dependent Variable: ROA

From the table, F-statistic is 7.210 and F-table is 2.34. Then F-statistic = 7.210 > F-table = 2.34 with the significant value 0.000 < the significant value of $\alpha = 0.05$. It means that the H0 is rejected and simultaneously all of independent variables can explain the dependent variables changes significantly or in the other word the independent variables have a significant influence on dependent variable.

Also it can be seen that the determination coefficient value of the regression model in the table below is 0.464 ($R^2 = 0.464$). This value shows that every 46.4% change on dependent variable can be explained by independent variables. This means that 46.4% changes on ROA ratio can be explained by foreign ownership, domestic ownership, managerial ownership, government ownership and public ownership. For the rest of 53.6%, it is explained by other factors which are not included in the regression model. This fact shows that there are still many factors outside the factors used in this research that also influence ROA.

Table 4.4

R-value Model

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.681 ^a	.464	.400	.0144393

a. Predictors: (Constant), Log_Sales, FOR, MNGR, PUBL, GOVT, DOM

4.3. Research Implications

From the statistical result for the period 2008-2010, it shows that foreign ownership has a negative influence on ROA. In the previous researches, some researchers found that there is a positive influence of foreign ownership on ROA. The negative influence also happens in domestic ownership. For the public ownership and government ownership both have no significant correlation to ROA. It could happen because of some reasons. First, the length of time taken is just three years from 2008-2010. This can have effect in the result of research. Second, there is unification of some ownership in which foreign corporate ownership and foreign financial institutional ownership become one entity - foreign ownership, while domestic corporate ownership and domestic financial institutional ownership become domestic ownership. These make the independent variables smaller.

From the research, the variable which has a positive influence is managerial ownership. Managerial is the one and only part of shareholder who know well or better about the company performance and value than other shareholders. It consists of CEO, director or supervisor. A manager should pay more attention to those people because they know the objective and the direction company running its business. Although the coefficient is negative in this research, that means if the managerial ownership increase, the profitability of bank will decrease.

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

Now, we arrive in the last chapter. This chapter contains research conclusions and research recommendations based on the overall result of analysis. Research conclusions are useful to explain the whole research objectives and research findings. In while, the research recommendations suggest the better and more complete research in the future.

5.1. Research Conclusions

Based on the regression testing data, the hypotheses and the purpose described in the earlier chapter, here is the conclusion:

The research findings show that both foreign ownership and domestic ownership do not have a positive significant influence on the corporate performance in banking industry. The result is different from some of the previous researches which also deal with ownership structure and corporate performance. The other factor of the difference lies in the object used. In most of the existing researches, the object is emerging market with the wider scope and data. Despite the differences, the result of this research has something in common with other previous research. The same result also is shown by government ownership and public ownership with has no significant influence on the banking performance. In the other hand, it is the only managerial ownership which has significant or positive influence on the banking ownership. Managerial plays an important role

in the corporate performance and shareholdings due to their best knowledge of company's condition and performance. That is why managerial can be called as the right hand of shareholders and the processor of the company business activity.

5.2. Recommendations

The researcher offers the following recommendation for future research:

1. Future researches should use a broader sample of research. The sample may consist of all companies listed in Jakarta Stock Exchange.
2. For future research, other variables to test hypothesis can be used or added as a proxy to evaluate factors on how the ownership structure can increase the corporate performance especially in banking industry. Moreover, based on the analysis results, the adjusted R squared values indicate that still there are some other variables affecting ROA.
3. Future researches are likely to have more extended analysis period, so the result is expected to be more effective.

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Appendix 1:

Bank's raw data

Bank	Year	Profit	Total Asset	Sales
		In million Rupiah		
Bank Negara Indonesia	2008	1.222.485	201.741.069	16.103.368
	2009	2.483.995	227.496.967	18.878.575
	2010	4.101.706	248.580.529	18.837.397
Bank Rakyat Indonesia	2008	5.958.368	246.076.896	27.009.627
	2009	7.308.292	316.947.029	33.946.341
	2010	11.472.385	404.285.602	43.971.493
Bank Mandiri	2008	5.312.821	358.438.678	26.496.487
	2009	7.155.464	394.616.604	31.640.259
	2010	9.218.298	449.774.551	33.931.650
Bank Agroniaga	2008	-3.826	2.578.439	324.542
	2009	2.198	2.981.696	345.659
	2010	14.026	3.054.092	356.973
Bank ICB Bumiputera	2008	1.925	6.287.877	670.425
	2009	5.043	7.005.700	707.567
	2010	12.168	8.659.899	829.934
Bank Central Asia	2008	5.776.139	245.569.856	18.616.168
	2009	6.807.242	282.392.294	22.081.673
	2010	8.479.273	324.419.069	20.660.602
Bank Bukopin	2008	368.780	32.633.063	3.084.410
	2009	362.191	37.173.318	3.375.081
	2010	492.599	47.489.366	3.629.908
Bank Danamon	2008	1.530.022	107.268.363	14.189.334
	2009	1.532.533	98.597.953	15.682.777
	2010	2.883.468	118.206.573	14.417.745
Bank Eksekutif International	2008	-32.012	1.492.166	169.624
	2009	-134.870	1.425.575	179.549
	2010	-88.646	1.561.622	115.665
Bank Capital Indonesia	2008	12.100	1.703.769	163.222
	2009	22.439	3.459.181	239.507
	2010	23.166	4.399.404	343.229
Bank CIMB Niaga	2008	678.189	103.197.574	9.336.904
	2009	1.568.130	107.104.274	10.813.330
	2010	2.548.153	143.652.852	12.448.430
Bank International Indonesia	2008	468.697	56.868.290	5.828.514
	2009	-40.969	60.965.774	6.113.090
	2010	460.989	75.130.433	6.474.846

Bank Permata	2008	452.409	54.059.522	4.332.056
	2009	480.155	56.009.953	5.722.531
	2010	996.649	73.813.440	5.915.777
Bank Swadesi	2008	19.221	1.359.880	122.778
	2009	36.950	1.537.377	154.320
	2010	35.092	1.570.331	167.105
Bank Victoria International	2008	35.261	5.625.107	511.603
	2009	46.239	7.359.018	610.436
	2010	106.801	10.304.852	710.955
Bank Arta Graha International	2008	21.874	12.845.448	1.137.150
	2009	41.857	15.432.373	1.566.904
	2010	83.669	17.063.094	1.475.120
Bank Mayapada International	2008	40.965	5.512.694	596.296
	2009	41.098	7.629.928	880.021
	2010	76.954	10.102.287	1.050.087
Bank Mega	2008	501.681	34.860.872	3.567.292
	2009	537.460	39.684.622	3.737.455
	2010	951.800	51.596.960	4.090.908
Bank OCBC NISP	2008	316.922	34.245.838	2.785.731
	2009	453.865	37.052.596	3.367.537
	2010	320.986	44.474.822	3.331.821

Principle control variable:

Sales = Annual sales turn over in million
Rupiah

Appendix 2:

Bank's Ownership Structure and ROA

Bank	Year	FOR	DOM	MNGR	GOVT	PUBL	ROA
		in decimal					
Bank Negara Indonesia	2008	0,0577	0,1021	0,0004	0,7636	0,0762	0,006
	2009	0,0577	0,1021	0,0004	0,7636	0,0762	0,0109
	2010	0,2296	0,1459	0,0003	0,6	0,0242	0,0165
Bank Rakyat Indonesia	2008	0	0	0	0,5679	0,4321	0,0242
	2009	0	0	0	0,5677	0,4323	0,023
	2010	0	0	0	0,5675	0,4325	0,0283
Bank Mandiri	2008	0	0	0	0,6697	0,3303	0,0148
	2009	0	0	0	0,6676	0,3324	0,0181
	2010	0	0	0	0,6668	0,3332	0,0204
Bank Agroniaga	2008	0	0,96	0	0	0,04	-0,0013
	2009	0	0,9673	0	0	0,0327	0,0007
	2010	0	0,9675	0	0	0,0325	0,0045
Bank ICB Bumiputera	2008	0,6707	0,0599	0	0	0,2694	0,0003
	2009	0,6707	0,0599	0	0	0,2694	0,0007
	2010	0,7728	0,0546	0	0	0,1726	0,0014
Bank Central Asia	2008	0,5176	0	0,0211	0	0,4613	0,0235
	2009	0,4771	0	0,0208	0	0,5021	0,0241
	2010	0,4715	0	0,0205	0	0,508	0,0261
Bank Bukopin	2008	0	0,664	0	0,1818	0,1542	0,0113
	2009	0	0,6234	0	0,1729	0,2037	0,0097
	2010	0	0,6016	0	0,1689	0,2295	0,0103
Bank Danamon	2008	0	0,6787	0,0009	0	0,3204	0,0142
	2009	0	0,6763	0,0016	0	0,3221	0,0155
	2010	0	0,6742	0,0016	0	0,3242	0,0243
Bank Eksekutif International	2008	0	0	0,7926	0	0,2074	-0,0214
	2009	0	0	0,7926	0	0,2074	-0,0946
	2010	0,3767	0,6102	0	0	0,0131	-0,0567
Bank Capital Indonesia	2008		0,0557	0,651	0	0,2933	0,0071
	2009	0,6137	0	0,217	0	0,1693	0,0064
	2010	0,6085	0,1683	0	0	0,2232	0,0052
Bank CIMB Niaga	2008	0,9388	0	0	0	0,0612	0,0065
	2009	0	0	0	0	1	0,0146
	2010	0,9691	0	0	0	0,0309	0,0177
Bank International Indonesia	2008	0,9752	0	0	0	0,0248	0,0082
	2009	0,9752	0	0	0	0,0248	-0,0006

	2010	0,9738	0	0	0	0,0262	0,0061
Bank Permata	2008	0,44505	0,44505	0	0	0,1099	0,0083
	2009	0,44505	0,44505	0	0	0,1099	0,0085
	2010	0,44515	0,44515	0	0	0,1097	0,0135
Bank Swadesi	2008	0,76	0,1712	0,0161	0	0,0527	0,0141
	2009	0,76	0,1712	0,0161	0	0,0527	0,024
	2010	0,76	0,1712	0,0161	0	0,0527	0,0223
Bank Victoria International	2008	0	0,6311	0	0	0,3689	0,0062
	2009	0	0,5516	0,1714	0	0,277	0,0063
	2010	0	0,4874	0,161	0	0,3516	0,0103
Bank Arta Graha International	2008	0	0,5262	0	0	0,4738	0,0017
	2009	0	0,5262	0	0	0,4738	0,0027
	2010	0	0,5262	0	0	0,4738	0,0027
Bank Mayapada International	2008	0,6675	0,2557	0	0	0,0768	0,0074
	2009	0,629	0,2866	0	0	0,0844	0,0053
	2010	0,635	0,2852	0	0	0,0798	0,0076
Bank Mega	2008	0	0,5782	0	0	0,4218	0,0143
	2009	0	0,5782	0	0	0,4218	0,0135
	2010	0	0,5782	0	0	0,4218	0,0184
Bank OCBC NISP	2008	0,819	0,0002	0	0	0,1808	0,0092
	2009	0,819	0,0002	0	0	0,1808	0,0122
	2010	0,819	0,0002	0	0	0,1808	0,0072

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Appendix 3

Descriptives

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
FOR	57	.0000	.9752	.322108	.3660501
DOM	57	.0000	.9675	.277754	.3018046
MNGR	57	.0000	.7926	.050904	.1709743
GOVT	57	.0000	.7636	.111544	.2395721
PUBL	57	.0131	.5080	.221221	.1587747
ROA	57	-.0946	.0283	.007749	.0186339
Valid N (listwise)	57				

Multiple Linear Regressions

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	Log_Sales, FOR, MNGR, PUBL, GOVT ^a , DOM		Enter

a. All requested variables entered.

b. Dependent Variable: ROA

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.681 ^a	.464	.400	.0144393

a. Predictors: (Constant), Log_Sales, FOR, MNGR, PUBL, GOVT, DOM

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.009	6	.002	7.210	.000 ^a
	Residual	.010	50	.000		
	Total	.019	56			

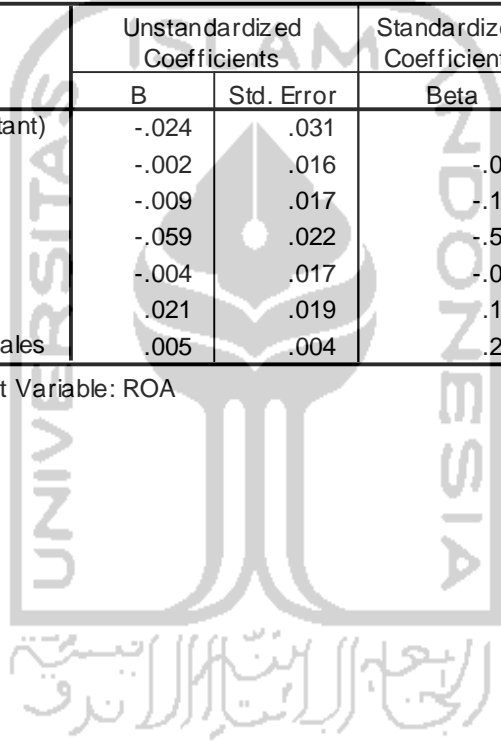
a. Predictors: (Constant), Log_Sales, FOR, MNGR, PUBL, GOVT, DOM

b. Dependent Variable: ROA

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.024	.031		-.772	.444
	FOR	-.002	.016	-.047	-.147	.883
	DOM	-.009	.017	-.153	-.550	.585
	MNGR	-.059	.022	-.541	-2.733	.009
	GOVT	-.004	.017	-.052	-.234	.816
	PUBL	.021	.019	.175	1.074	.288
	Log_Sales	.005	.004	.220	1.378	.174

a. Dependent Variable: ROA



Autocorrelation Test

Model Summary^a

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.681 ^a	.464	.400	.0144393	1.619

a. Predictors: (Constant), Log_Sales, FOR, MNGR, PUBL, GOVT, DOM

b. Dependent Variable: ROA

Multicollinearity Test

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.024	.031		-.772	.444		
	FOR	-.002	.016	-.047	-.147	.883	.105	9.482
	DOM	-.009	.017	-.153	-.550	.585	.139	7.193
	MNGR	-.059	.022	-.541	-2.733	.009	.273	3.657
	GOVT	-.004	.017	-.052	-.234	.816	.213	4.685
	PUBL	.021	.019	.175	1.074	.288	.405	2.471
	Log_Sales	.005	.004	.220	1.378	.174	.422	2.371

a. Dependent Variable: ROA

Heterocedasticity Test

Scatterplot

Dependent Variable: ROA

