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COMPARISON OF FINANCIAL PERFORMANCE OF NATIONAL AND FOREIGN BANKS ON THE IDX FOR THE PERIOD 2018-2022

Yindi Angelina[1]*, Afrizal Nilwan[2], Riswan[3]
[1,2]Faculty of Economics and Business, Bandar Lampung University, Indonesia
*Corresponding Author:
yindi.angelina09@gmail.com

Abstract
Financial statement analysis is an effort to find out how well the financial performance of a bank. This study intends to analyze the performance comparison between national and foreign banks and which one is superior between the two in order to determine its impact on the development of the Indonesian economy. This is because the existence of banking intermediation problems and potential banking speculation activities, both national and foreign, can have implications for the domestic economy. Financial performance assessment is done with CAMEL ratios (CAR, NPL, NIM, ROA, LDR). Purposive sampling is the sampling technique applied in this study. The sample consists of 5 National Banks and 5 Foreign Banks listed on the Indonesia Stock Exchange in the period 2018-2022. Secondary data obtained from banking financial statement documents on the Indonesia Stock Exchange is the type of data used in this study with the Mann-Whitney Test as a tool for analyzing data. The findings of the analysis conducted show that there is a significant difference in NIM and ROA. However, no significant differences were found in CAR, NPL, and LDR and national banks are still superior.

Keywords: CAR, NPL, NIM, ROA, LDR

1. Introduction

In today's era of globalization and open economy, one of the most crucial industries contributing to a country's economic expansion is the banking sector. The robustness of the banking system is an absolute requirement for economic stability and prosperity. (Nurdiawansyah et al., 2022). Through the services provided, banks facilitate the flow of funds, investment, and trade, and contribute to creating financial stability, making companies have the opportunity to establish business in various countries. Foreign banks are one of the companies that have an interest in doing business in Indonesia (Astuti, 2015). Foreign banks operating in Indonesia are subject to restrictions based on the principle of reciprocity and the role of their home country as a source of foreign investment or economic assistance (Rizkytia, 2021). The government's strategy in the banking sector with regard to purchasing shares of commercial banks has led to the increasing presence of foreign banks in Indonesia. Basically, Indonesia is the only country that gives foreigners the opportunity to control most of the banking industry. This can be seen from the existence of Government Regulation No. 29 of 1999 which allows one party, including foreign banks, to own up to 99 percent of bank shares (Dilla, 2021). These banks gained a competitive advantage through their strong sources of foreign currency funds, application of advanced technology, broad understanding of financial products, and robust risk management. This puts direct pressure on competing banks, especially national banks in Indonesia. Therefore, domestic banks need to design special strategies to attract more domestic customers to invest in national banks rather than foreign banks (Muzarlis et al., 2016).

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The insolvency of Silicon Valley Bank (SVB) and Signature Bank in March 2023 has had a significant impact on the global financial landscape, namely the continuing effect of the trend of rising central bank benchmark interest rates that have risen sharply over the past 1.5 years in many countries, especially developed countries. According to the World Bank, the global economy faces a critical situation during the period 2023-2024. These figures clearly show a significant decline in economic growth projections for 2023 and 2024, with estimates of only 2.1% and 2.4% respectively. When compared to the 3.1% growth estimate for 2022, this is significantly lower. It is well known that banks in developed countries are failing due to interest rate pressures, while developing countries are not directly affected, but will be affected in the long run as global lending becomes more restricted as a result of the failure of major banks, making them unable to access global bond markets (www.cnbcindonesia.com). To find out how well the bank itself is doing, examining the bank's financial performance is very important. An examination of a company's financial performance reveals the results of its asset and money management efforts relative to the standards set by the business (Juendi & Amna, 2023).

(Suanda, 2019) in his research argues that after calculating the variables of capital, sensitivity, probability, liquidity, and asset quality and linking them to the hypotheses that have been tested, the researcher concludes that there are striking differences between foreign banks and foreign exchange National Private Commercial Banks. On the other hand, (Rasyid, 2019) in his research shows that national banks outperform foreign banks in terms of LDR, ROA, and NIM ratios, but foreign banks outperform national banks in terms of NPL, CAR, and GCG ratios. The foreign bank group outperforms the national bank group in terms of GCG metrics, but the difference is not too striking because both bank groups are still in the good composite group. In terms of bank soundness, the National Bank group and the Foreign Bank group exhibit appropriate soundness.

2. Theoretical Background

2.1 Signaling Theory

Signaling theory presents an explanation of the way in which a company's financial performance is measured. (Alfian, 2020). Spencer (1973) as the person who put forward this theory revealed that the party sending the information gives a signal or signal that reflects the state of the company that can provide benefits to the receiving party, such as investors. This theory suggests that good financial reports are an indication that the company has performed well (Wicaksana, 2019).

2.2 Bank

Banks are financial entities that play a central role in the modern economic system. Banks are generally defined as companies that have a role as financial intermediaries and are authorized to accept deposits, make loans, and issue banknotes (Astuti, 2015). Banks accept deposits from the public as one of their main functions. These funds can come from various sources such as salaries, business income, and others. Some of these funds are loaned by banks to people and companies that need capital. These loans can be used for investment, property purchase, education, or other purposes (Nurfalah & Rusydiana, 2019). In addition, banks also provide various payment and fund transfer services (Atmaja & Paulus, 2022). With a bank account, individuals and companies can easily perform financial transactions, such as paying bills, transferring funds between accounts, or making electronic purchases.

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2.3 Foreign Bank

A foreign bank is a financial institution that operates in Indonesia. However, an overseas bank, whether public or private, serves as its headquarters. As foreign banks, the approach of these institutions in carrying out their duties and operational policies is usually heavily influenced by the objectives of their overseas headquarters. (Anggraini & Eka, 2019). Future plans and operations will be heavily influenced by decisions made by the head office or regional office (Astuti, 2015).

2.4 Financial Performance

An analysis used to reveal the effectiveness and efficiency of the company in following the guidelines for proper financial implementation, which can be obtained by banking companies over a certain period of time through the company's activities to obtain profits is the definition of financial performance. This performance can be assessed by examining the financial information displayed in the financial statements (Utami & Hardana, 2023).

2.5 Financial Statements Analysis

A useful tool for assessing the financial performance of a company or business entity is referred to as financial ratio analysis. By comparing different financial ratios derived from financial statements, this method makes it possible to evaluate past, present, and projected future financial results. Financial ratios can provide information about a company's financial health, liquidity, profitability, and operational efficiency. Financial ratio analysis helps stakeholders such as investors, creditors, and management make better decisions about a company's financial condition. On the other hand, to determine how the ongoing financial condition of the company can use the evaluation method with historical analysis. This analysis involves examining the relationship between current and previous ratios, as well as comparing them to industry average ratios of similar companies. This benchmark serves as a useful tool for companies to assess company performance (Angel & Pusung, 2014). The involvement of CAMEL factors to assess the health and stability of banks, viz:

2.5.1 Capital Adequacy Ratio / CAR (Capitalization)

CAR is a measure applied to assess a bank's capacity to expand its operations and withstand potential losses resulting from its daily activities. CAR is also used to measure how strong the bank's capital is and the extent to which it is able to withstand financial risks. This evaluation helps assess whether the bank's capital is adequate to meet its needs. When a banking company's CAR is high, it indicates that the company has enough capital, which can increase public confidence. If the company has gone public, the increase in its share price reflects the increase in trust and can increase the value of the company and stock returns. The correlation between CAR and investment risk in banking stocks suggests that capital should be allocated proportionally to the amount of investment to mitigate potential risks.

H1: There is a significant difference in the capital ratio between National and Foreign Banks.

2.5.2 Asset Quality

Asset Quality describes the quality of a bank's asset portfolio, including the ratio of non-performing loans and other credit risks. The income generated by banking companies mainly comes from earning assets, such as loans, investments in securities, investments in other banks, and investments. Efforts to invest in productive assets are expected to

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increase the bank's income and provide an opportunity to earn greater profits. This in turn will result in a good assessment for investors who choose to invest in banking stocks. The allocation of funds to earning assets must be done carefully, and bank officers are charged with the responsibility of ensuring that those assets are consistently maintained in excellent condition. Measurement to determine whether productive assets are of good quality or not can be done with the Non Performing Loan (NPL) ratio. The NPL ratio illustrates the extent to which banks can manage non-performing loans distributed to debtors. Before handing over credit, banks are required to assess the debtor's ability to repay credit. In addition, the bank must supervise how the credit is used and how well the debtor complies with its responsibilities. In addition, the Bank carefully evaluates and enhances collateral to minimize credit risk. As the ratio of non-performing loans decreases, the Bank's exposure to credit risk also decreases. However, if NPLs are high, the bank could potentially face greater costs and losses.

H2: There is a significant difference in asset quality ratio between National and Foreign Banks.

2.5.3 Management

The calculation of business efficiency ratio is a useful method to assess the ability of bank management to manage risks and make strategic decisions, as well as evaluate the quality of their management. The level of efficiency of bank management can be measured quantitatively through these ratios. The evaluation also includes an assessment of management's capacity to identify, measure, monitor, and resolve risks that may arise in achieving targets. One of the indicators applied is Net Interest Margin (NIM), which is a metric applied by bank managers to assess their capacity to earn net interest income from their earning assets. When the NIM ratio increases, the likelihood of the bank facing problems will decrease.

H3: There is a significant difference in management ratios between National and Foreign Banks.

2.5.4 Earnings

Earning is the ability of financial institutions in the banking sector to generate surplus within a specified time interval by analyzing the bank's revenue performance and its ability to achieve profits. A high level of profitability ratio signifies the capacity of the company to expand its operations and achieve operating profits. The calculation of profitability is important to assess how well management is generating profits from investments in all the bank's current assets and how well the bank is generating operating income. A measure used to calculate the amount of profit that can be generated by the company using all assets that belong to it after adjusting for the cost of funding these assets, namely with Return On Assets (ROA). Higher ROA indicates superior quality earning assets and strong management. A high ROA also indicates a good profitability and less likelihood of the bank facing problems.

H4: There is a significant difference in the earnings ratio between National and Foreign Banks.

2.5.5 Liquidity

Liquidity is an important parameter that assesses a bank's capability to promptly meet financial obligations, such as call money required for clearing. An assessment of a company's current assets is critical in determining its capacity to carry out short-term

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financial obligations and ensure the fulfillment of its commitments. The capacity of a banking entity to meet its financial obligations is directly influenced by the size of its current assets, as measured by the Loan to Deposit Ratio (LDR). The LDR ratio is used to evaluate bank liquidity through the division of the amount of credit provided by the bank to third parties. If the LDR is high, it means that the bank has a good financial condition.

H5: There is a significant difference in liquidity ratios between National and Foreign Banks.

3. Methods

Comparative and explanatory research are the types of research applied to this study. Comparative research is applied by comparing two or more groups or variables to identify differences or similarities between them. Meanwhile, explanatory research is a type of research that aims to identify factors that cause the relationship between research variables and hypothesis testing. Secondary data obtained from banking financial report documents on the Indonesia Stock Exchange is the type of data used. National Banks and Foreign Banks listed on the Indonesia Stock Exchange during the 2018-2022 period are the research population and the sample will be taken by purposive sampling with criteria: Banking companies listed on the Indonesia Stock Exchange (IDX) in the period 2018-2022, Banks that report annual financial reports in the period 2018-2022, Banks that have a ratio value of Capital Adequancy Ratio (CAR), Non-Performing Loan (NPL), Net Interest Margin (NIM), Return on Assets (ROA), and Loan to Deposit Ratio (LDR). Based on these criteria, the sample selection was taken from the top 5 National Banks and 5 Foreign Banks. 2 mutually independent data populations were processed and tested using the Mann-Whitney Test method.

Table 1. List of National and Foreign Bank Samples Used

National Bank	Foreign Bank
BRI	CIMB Niaga
Independent	OCBC NISP
BCA	Citibank
BNI	DBS
Danamon	UOB

Operational Definition and Measurement of Variables

This study uses variables that assess the CAMEL method, including:

3.1 Capital Adequacy Ratio / CAR (Capitalization)

Capital adequacy ratio (CAR) is a crucial measure that assesses a bank's capacity to cover potential risks by having sufficient capital. It ensures that the bank has enough capital to protect customer deposits and minimize the risk of bankruptcy. The calculation of CAR can be obtained using the calculation:

$$\text{CAR} = \frac{\text{Modal Bank}}{\text{Total ATMR (Aktiva Tertimbang Menurut Resiko)}} \times 100\%$$

3.2 Asset Quality

The quality of earning assets is measured by the NPL ratio. The NPL ratio provides an indication of the extent of credit risk to which a bank or financial institution is exposed

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to loans that cannot be repaid by the borrower. The higher the NPL ratio, the higher the credit risk. NPL calculations can be obtained using the formula:

$$\text{NPL} = \frac{\text{Kredit Bermasalah}}{\text{Total Kredit}} \times 100\%$$

3.3 Management

The management aspect can be calculated with the Net Interest Margin (NIM) indicator. This ratio can provide an overview of how well the bank's management generates profits from interest operations. NIM calculation can be obtained using the formula:

$$\text{NIM} = \frac{\text{Pendapatan Bunga Bersih}}{\text{Aktiva Produktif}} \times 100\%$$

3.4 Earnings

One of the tools for measuring corporate profitability is to calculate the Return On Asset (ROA) ratio. ROA offers a comprehensive analysis of a company's ability to effectively optimize its assets for profit. The higher the ROA, the better the company utilizes its assets to create value. ROA calculation can be obtained using the formula:

$$\text{ROA} = \frac{\text{Pendapatan Sebelum Pajak}}{\text{Total Aset}} \times 100\%$$

3.5 Liquidity

Loan to Deposit Ratio is a measure of liquidity. This ratio gives an indication of how much of the money deposited by customers to the bank is used to repay loans. The higher the LDR ratio, the more aggressive the bank is in providing loans compared to the deposits it has. The formula can be used to calculate LDR, namely:

$$\text{LDR} = \frac{\text{Kredit yang Diberikan}}{\text{Dana Pihak Ketiga}} \times 100\%$$

4. Results and Discussion

Table 2. Mann Whitney U Test Mean Ranks

Code		N	Mean Rank	Sum of Ranks
Capital	National	25	27.16	679.00
	Foreign	25	23.84	596.00
	Total	50		
Assets	National	25	27.92	698.00
	Foreign	25	23.08	577.00
	Total	50		
Management	National	25	33.82	845.50
	Foreign	25	17.18	429.50

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	Total	50		
Earnings	National	25	32.48	812.00
	Foreign	25	18.52	463.00
	Total	50		
Liquidity	National	25	28.10	702.50
	Foreign	25	22.90	572.50
	Total	50		

Source: Data Processed, 2023

The mean rating of each category is shown in the table above. There are 25 national bank data and 25 foreign bank data with a total of 50 data used. The description of each variable, namely:

1) The mean value of capital for the national bank group, 27.16, is higher than the mean value of the foreign bank group, 23.84. The higher capital score reflects the capacity of national banks to bear the risk of loss more effectively than foreign banks.
2) The mean value of assets for the national bank group, 27.92, is higher than the mean value of the foreign bank group, 23.08. Evidence that the lower value of assets in foreign banks compared to national banks shows that these banks are better at reducing the number of bad debts.
3) The mean management score for the national bank group of 33.82 is higher than the mean score for the foreign bank group of 17.18. The increase in interest income on earning assets is reflected in the higher management scores of national banks compared to foreign banks.
4) The mean value of earnings for the national bank group, 32.48, is higher than the mean value of the foreign bank group, 18.52. The increased asset utilization and improved profitability of national banks are reflected in the higher mean earnings score.
5) The mean value of liquidity for the national bank group, 28.10, is higher than the mean value of the foreign bank group, 22.90. The likelihood of a bank being in distress increases when the mean value of the liquidity aspect of foreign banks is lower. In addition, national banks have greater liquidity capacity. Therefore, it can be concluded that the first group, namely commercial banks, has a higher mean rating than the second group, namely foreign banks.

Table 3. Mann Whitney U Test P Value

	Capital	Assets	Management	Earnings	Liquidity
Mann-Whitney U	271.000	252.000	104.500	138.000	247.500
Wilcoxon W	596.000	577.000	429.500	463.000	572.500
Z	-.805	-1.174	-4.036	-3.387	-1.261
Asymp. Sig. (2-tailed)	.421	.240	.000	.001	.207

a. Grouping Variable: Year

Source: Data Processed, 2023

From the series of tests above, the following results can be drawn:

1) The Capital table above shows a U value of 271 and a W value of 596. If converted to Z value, the amount is -805. Sig value or P Value of 0.421> 0.05. If the p value <0.05 critical limit. This indicates that there is no significant difference between the two groups so that H1 is rejected.

2) The Assets table above proves the U value of 252 and the W value of 577. If converted to Z value, the amount is -1.174. Sig value or P Value of 0.240> 0.05. If the p value < the critical limit of 0.05, it shows that there is no significant difference between the two groups. This indicates rejection of H2.
3) The Management table above results in the acquisition of a U value of 104.5 and a W value of 429.5. If converted to Z value, the amount is -4.036. Sig value or P Value of 0.000 <0.05. If the p value <0.05 critical limit. This indicates that there is a significant difference between the two groups, which means that H3 is accepted.
4) The Earnings table above shows a U value of 138 and a W value of 463. If converted to Z value, the amount is -3.387. Sig value or P Value of 0.001 <0.05. If the p value <0.05 critical limit. Thus, there is a significant difference between the two groups, leading to the acceptance of H4.
5) The Liquidity table above shows a U value of 247.5 and a W value of 572.5. If converted to Z value, the amount is -1.261. Sig value or P Value of 0.207> 0.05. If the p value <0.05 critical limit. Therefore, there is no significant difference between the two groups. This indicates the rejection of H5.

5. Conclusion

The purpose of this research is to analyze the financial performance ratios between national and foreign banks listed on the Indonesia Stock Exchange during the period 2019-2022 and which of the two is superior using the CAMEL method. The researcher came to a conclusion that when comparing commercial banks and foreign banks, NIM and ROA showed significant differences. However, in terms of CAR, NPL, and LDR, there is no significant difference. And judging from the average results of each group, national banks are still superior in the aspects of capital, management, and profitability, while for the aspects of assets and liquidity foreign banks are still superior to national banks.

Based on the test results, the researcher suggests that the management of national banks provide greater focus in managing financial performance, especially related to assets and liquidity. In addition, expanding the number of samples is also recommended in the hope that this research can serve as a basis for future studies. On the other hand, the development of research models is needed so that the results are more in-depth and support the improvement of company performance, especially the National Bank.

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