Annual Shanghai Business, Economics and Finance Conference

PROGRAM

3 – 4 November 2014

Theme: "Research for Advancement"

Venue: Grand Mercure Hotel Hongqiao
上海虹橋美爵大酒店
369 Xian Xia Road
200336 SHANGHAI - CHINA
上海市長寧區仙霞路369號

Prof. Xuehui He
SUIBE, China
Conference Chair

Prof. George Ye
Saint Mary's Uni, Canada
Conference Chair

Prof. Dr. Mohammad Hoque
WBI, Australia
Conference Coordinator

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Global Economy and Finance Journal | World Review of Business Research
Global Review of Accounting and Finance | Journal of Accounting Finance and Econ
Journal of Islamic Finance and Business Research

Please Carefully Read all Instructions Below

- ## Conference Venue

Due to unavoidable technical difficulties with the computers at the university, we have had to change the conference venue at the last minute. We apologise for any inconvenience.

However the new venue is only 5 minutes away from the original venue and is located on a parallel road to the university. The new venue is where the lunch was going to take place- Hotel Grand Mercure Hongqiao.

Please note there are several Grand Mercure hotels in Shanghai. We will be situated in Hongqiao.

Name of Hotel in Chinese: 上海虹橋美爵大酒店
Address of Hotel in Chinese: 上海市長寧區仙霞路369號
Ph: +86 400 818-2688

- ## How to Reach the Conference Venue

The following information was provided on the hotel's website about how to reach the hotel.

By car (taxi)

From Pudong International Airport (PVG.) to the hotel
The distance: 60 km (transport time by car: 90 minutes)
Approximate taxi fare (one way): RMB 200

From Hong Qiao International Airport (SHA) to the hotel
The distance: 5 km (transport time by car: 25 minutes)
Approximate taxi fare (one way): RMB 60-70

By metro

Take Shanghai Maglev at PVG- transfer Shanghai Rail Transit Line 2 at Longyang Road Station- Loushanguan Road Station
Then take taxi to the hotel (Approximate taxi fare: RMB 11)

By Airport Express
Airport Express is available at Pudong International Airport (PVG.).

Hotel Pickup Service
Shuttle pickup is available only on particular request with additional fee. (Please contact the hotel for this service)

• How to Find us and Complete Registration?

Registration starts from 8.15 AM and continues until 4.30 PM on Monday 3 November, 2014 and 8.45 AM – 3.00 PM on Tuesday 4 November, 2014.

As soon as you reach the hotel, please go to **Level 2**. The registration desk will be located outside room **Phoenix and Dragon**.

Please report either to Mrs. Khaleda Akhter or Dr. Mohammad Hoque for your registration. If you have already fully paid for the registration, you will receive a yellow envelope which will contain the following items:

- Your Name Tag
- Payment Receipt
- Participant Certificate (please note that only attending authors will receive a participant certificate for ethical reasons, Co-authors will not receive this certificate unless they pay for registration and attend the conference. Please also note that the Participant certificate does not include the paper title or the authors of the paper. It is just a certificate to prove that you did attend and participate in the conference)
- Conference Program
- Lunch Coupon

On Arrival Registration Payment

If you have not yet paid your registration fees, please complete your cash payment **(we accept US Dollars ONLY)** on arrival. **We do not accept any other currency or other mode of payment except cash and please bring exact money as no change will be given there and hope you will not negotiate with us for other mode of payment such as bank cheque or cards.** Please note that no negotiation on the amount to be paid will be entertained at the registration desk. Please collect your white envelope which will contain all of the abovementioned materials.

Name Badge:

The name badge is required for all participants/spouse/guests to participate in all sessions/events, refreshments, buffet lunch, receptions, tea/coffee breaks. Please bring lunch and dinner coupons for collection by our team members before you take lunch. If you lose them, see Mrs. Khaleda Akhter at the registration desk.

• Conference Proceedings

As informed previously, conference proceedings with ISBN 978-1-922069-63-4 will be provided electronically. Please visit www.wbiworldconpro.com to view your paper after 1 November 2014. Please read the instructions there and then view or download your and/or other authors' papers. The proceedings will be there for a number of years which is visited by the readers from the globe. We remind the authors that we will upload the paper or abstract as per the option you have indicated in the registration form. Once your paper or abstract is uploaded, you cannot change it again in any form unless you pay US$100 for any change.

• Presentation Rooms and Conference Secretariat

We will use presentation room **Dragon and Phoenix.** The conference secretariat will be located outside this room for any assistance you may require throughout the conference.

• What You Should Bring Along For Your Presentation

OPTIONAL:
Please bring in 15-20 copies of your (printed) paper (powerpoint slides or full paper) for distribution at your session to other participants **(this is optional).**

MANDATORY:
Please print out at least 1 copy of your full paper and hand it to the chair of the session at the beginning of your presentation.
If you do not provide a copy of the full paper to the session chair or the conference organisers, we will be unable to email you an evaluation report for your paper.

Each author will have about 15 minutes for presentation and 5 minutes for questions and discussion. **We suggest you to spend less time (not more than 5 minutes) on introduction and literature review sections of your paper. Please focus and spend more time (the remaining 10 minutes) on your model, data, result analysis/findings and significance or implication of your research.**

The room will have LCD and laptop computer and please bring your pen-drive or USB stick for power-point presentation. However, we do not guarantee that they will work without any failure. Please do not embarrass us by asking for pen-drive as we do not prove this.

In the past, we have faced issues where authors have put their USB in their unaccompanied luggage which did not arrive with them or they have emailed the presentation to themselves. We **highly recommend** that you carry your USB with you at all times and not put it with your unaccompanied luggage and that you also do not just email the presentation to yourself. You should save your presentation on a USB stick as well.

*****Please ensure that you save your presentation file both in 2003 and 2007/2010 versions incase the computers do not support the latest version.** If you have only a 2007 version and the hotel provides only 2003 office software, we will not take any responsibility for converting your presentation from 2007 to 2003.

*****Please note that we do not offer any internet access in the presentation rooms**. However, wifi maybe available at the hotel but there is no guarantee and there may be a cost involved, which is payable by you if you choose to use this service. The hotel may have a business centre that you may be able to use at your own expense.

• What About Tea/Coffee Break and Lunch?

Break-foods and Tea/coffee during all breaks will be served inside the presentation room **Dragon and Phoenix**. **Lunch will be held at the L'ATRIUM restaurant located on 2nd Floor of the Grand Mercure Hotel Hongqiao.**

Please bring your lunch coupon (provided in your envelope) for collection before you take lunch and if you lose them, please report to the registration desk.

*****PLEASE NOTE: If you do not attend lunch on either day 1 or day 2, you cannot use the other coupon to feed your family members or friends as we have a set number of people we have ordered the lunch for on the 2 separate days.**

- ## Best Paper Award

Best paper is selected on the basis of 1. Originality 2. Research Rigor 3. Contribution to the body of knowledge and 4. Relevance to current and emerging issues. The papers are considered on the basis of the evaluation by the reviewers and the assessment made by the members of the panel. Panel members will observe and assess the presentation of the short-listed authors and then report to conference team. The name of the winners will be announced via email 2 – 3 weeks after the conference. Papers selected as "Best Papers" will be published in the Journal of Business and Policy Research. The winners will receive an award certificate.

- ## Paper Evaluation Report (PER) and Editorial Review Report (ERR)

Unlike other conferences in the world, we provide written feedback on your paper in the form of Paper Evaluation Report (PER). This report will be sent to the authors via email within 2-3 months after the conference. Please do not contact us in between this time regarding these reports. However, if you do not receive them by this deadline, then contact us via email: njahanwbi@gmail.com
Please note that even if you have paid to attend the conference but you do not present the paper at the conference, then you will not receive a PER for your paper. **Similarly, if you collect your registration envelope pack but do not present your paper, the department in your university will be notified.**

For those of who have paid for publication of their papers in our journals, you will receive Editorial Review Report (ERR) within 5-6 months months after the conference, in addition to the PER.

- ## Publication of Your Paper (Please read carefully)

All accepted papers recommended by the reviewer (see your acceptance letter point number 2 to know the name of the journal) for a particular journal will be published provided that you have paid submission fee and complied to the review report, editorial comments, feedback at the conference and journal's guidelines. You are required to send us your revised full paper (after compliance to the PER and ERR and editorial observations, comments, if any, you received at the conference) within 2 months after we send you the ERR.

If your invitation and acceptance letter does not mention any journal name, it means that your paper was not accepted for any of our journals, However, if you improve your paper according to the feedback you receive at the conference and/or via review report, we can reconsider the paper for journal publication at that stage. Please note that it is not guaranteed that your paper will be selected for a journal even after the revisions.

If you have already paid publication fee, you **must indicate in red ink** the new or additional materials you have added or inserted in compliance to written feedback and/or comments at the time of revision. **We will endeavour, though not guaranteed, to publish your paper within six-nine months after the conference** if you comply fully to all requirements and requests. No reminder notice will be sent. **If you do not send your revised paper by the deadline** or if you **failed to comply in full to the review reports** within the due time set by us and do not comply to our any request for reorganising the paper as per journals' guidelines or fail to make the paper camera-ready or do not respond to our emails within 6 months after the conference, **your paper will not be published and no money or fee will be refunded.**

If your paper has already been accepted for our journal and you have not paid any publication fees but are interested to publish can make cash payment at the registration desk. The cost of Print and online publication is USD $300 or for online publication only is USD $200. If you would like to pay at a later time, then please contact Nuha Jahan via njahanwbi@gmail.com to arrange this.

- ## Who to Contact

For any issues relating to conference matters please contact Prof. Hoque on +614 11 496 791 (Australian mobile number)

- ## Correspondence After Conference

If you have any concerns or questions after the conference, please contact us via our email address njahanwbi@gmail.com. Please do not send any email to paperswbi@gmail.com as this email address will be unmonitored after 4 Nov 2014.

- ## Future Conferences

If you would like to join our future conferences, please continuously visit our website www.wbiworld.org to find out more information. You can also follow us on facebook by liking our page “World Business Institute” or follow Nuha Jahan on Linked in by sending her a request.

- ## Conference Team

Coordinator, Dr. Mohammad Hoque, WBI, Australia & ARPI, USA
Events/ Publication Director, Ms. Nuha Jahan, WBI, Australia & ARPI, USA
Marketing Director, Mr. Tanzil Hoque, WBI, Australia & ARPI, USA
Managing & Finance Director, Mrs. Khaleda Akhter, WBI, Australia & ARPI, USA
Technical Manager, Mr. Md. Salman Hoque, WBI, Australia
Proceedings Editor, Mr. Md. Mahbubul Hoque, RAPI, Bangladesh

- ## List of Participating Countries

The Annual Shanghai Business, Economics and Finance Conference is proud to welcome delegates from 21 countries of the world.
Australia, Bangladesh, Bhutan, Canada, China, Germany, Indonesia, Iran, Jamaica, Korea, Kuwait, Lithuania, New Zealand, Nigeria, Taiwan, Thailand, Turkey, UAE, UK, USA, Vietnam.

Conference Program Outline

Presentation Room: Dragon and Phoenix, Level 2, Grand Mercure Hongqiao
Conference Secretariat: Outside Presentation Room Dragon and Phoenix

Monday 3 November, 2014

8.15 AM - 4.30 PM	**Conference Registration** **Outside Dragon and Phoenix Room, 2nd Level**
9.00 AM - 10.45 AM	**Paper Presentations:** Plenary Session: Room Dragon and Phoenix
10.45 AM – 11.15 AM	**Morning Tea Break** **Inside Presentation Room**
11.15 AM – 1.00 PM	**Paper Presentations:** Finance Track: Room Dragon and Phoenix
1.00 PM - 2.30 PM	**Lunch** **L'ATRIUM Restaurant, 2nd Floor**
2.30 PM - 4.30 PM	**Paper Presentations:** Multidisciplinary Track: Room Dragon and Phoenix
4.30 PM - 4.45 PM	**Afternoon Tea Break** **Inside Presentation Room**
4.45 PM - 6.30 PM	**Paper Presentations:** Economics Track: Room Dragon and Phoenix

Conference Program Outline (cont...)

Presentation Room: Dragon and Phoenix, Level 2, Grand Mercure Hongqiao
Conference Secretariat: Outside Presentation Room Dragon and Phoenix

Tuesday 4 November, 2014

8.30 AM - 3.00 PM	**Conference Registration** **Outside Dragon and Phoenix Room, 2nd Level**
8.45 AM - 10.30 AM	**Paper Presentations:** Banking, Economics and Finance: Room Dragon and Phoenix
10.30 AM – 11.00 AM	**Morning Tea Break** **Inside Presentation Room**
11.00 AM – 1.00 PM	**Paper Presentations:** Management Track: Room Dragon and Phoenix
1.00 PM - 2.30 PM	**Lunch** **L'ATRIUM Restaurant, 2nd Floor**
2.30 PM - 4.15 PM	**Paper Presentations:** Economics and Finance Track: Room Dragon and Phoenix
4.15 PM - 4.30 PM	**Afternoon Tea Break** **Inside Presentation Room**

~~~ End of Conference ~~~

Monday 3 Nov 2014	9.00 AM – 10.45 AM	Room Dragon & Phoenix

Session: Plenary

Session Chair: Prof. George Ye, Saint Mary's University, Canada

Inaugural Speech by Program Chairs

- Professor Xuehui He, Shanghai University of International Business and Economics, China
- Professor George Ye, Saint Mary's University, Canada
- Professor Mohammad Hoque, World Business University, Australia

315: Bank Stock Performance and Bank Regulation Around The Globe: Matthias Pelster, Felix Irresberger and Gregor N.F. Wei, Technische Universität Dortmund, Germany.

214: Brazilian MNEs in Africa: Do They Have Competitive Advantages?: Kinfu Adisu**,** Fort Hays State University, United States and Laudo M. Ogura, Grand Valley State University, United States.

421: Integrating the EFQM Excellence Model with the <IR> Intellectual Capital: A Qualitative Analysis with a Methodological Perspective: Stéphane Trébucq, University of Bordeaux, University of Bordeaux, France and Elisabetta Magnaghi, Renmin University of China, China.

328: Efficiency of The Indonesian Stock Market on Sectoral Basis: Is There Growing Weak-Form Market Efficiency: Ragnar Benediktsson, Peking University, China and Erik Benrud, Drexel University, United States.

Monday 3 Nov 2014	10.45 AM – 11.15 AM	Inside Room

"Morning Tea Break"

Monday 3 Nov 2014	11.15 AM – 1.00 PM	Room Dragon & Phoenix

Session: Finance

Session Chair: Prof. Nejat Erk, Cukurova University, Turkey

302: The Effect of Perky Strategies of Working Capital on Companies' Liquidity Position: Hossein Shafiei, Ali-Akbar Darvishi, Islamic Azad University, Sirjan Branch, Iran and Vahid Haji-Alizadeh, SKED Co., Iran.

312: The Impact of Institutional Traders on Stock Option Pinning: Francis Cai and Lian Zan Xu, William Paterson University, United States.

325: The Determinants of The Correlation Between Stock and FX Markets: Evidences From China, Japan And Korea: Young K. Park , Sungkyunkwan University, South Korea, Suk-Joong Kim, University of Sydney, Australia and Ki Beom Binh, Myongji University, South Korea.

327: Idiosyncratic Volatility and Default Risk: Evidence from Taiwan Market: Lu, Chia-Wu, National Taipei University, Taiwan.

329: The co-movement of stock return and economic growth: Evidence from US and China: Jia Shi and Yu Jiang, Nanjing University, China.

Monday 3 Nov 2014	**1.00 PM – 2.30 PM**	**L'ATRIUM Restaurant, 2nd Floor**

"Lunch Break"

Monday 3 Nov 2014	**2.30 PM – 4.30 PM**	**Room Dragon & Phoenix**

Session: Multidisciplinary

Session Chair: Dr. Tim Lockyer, University of Waikato, New Zealand

103: Integrated Reporting: A First Analysis of The Current Situation of Its Framework in The Light of The Comment Letters Received: David Alexander, Roberto Aprile, University of Birmingham, United Kingdom and Elisabetta Magnaghi, Renmin University of China, China.

608: Adopting Green: From the Perspective of Private Commercial Banks in Bangladesh: Tamanna Islam, Kashfia Sharmeen and Sadia Rahman, American International University - Bangladesh (AIUB), Bangladesh.

206: From Motor Biking To Public Transportation, What Matters In Hanoi?: Poh Yen Ng and Phung Phuong, RMIT University, Vietnam.

418: Analysis of Success and Failure for Non-Chinese Companies Building Brand Value in China: R.K. Marjerison, Royal University of Bhutan, Bhutan.

401: Developing Dynamic Capabilities for Bank Turnaround: William W. Lawrence, the University of the West Indies, Jamaica.

410: Hotel Revenue Management – Yield Management its Applicability: Tim Lockyer, University of Waikato, New Zealand.

Monday 3 Nov 2014	**4.30 PM – 4.45 PM**	**Inside Room**

"Afternoon Tea Break"

Monday 3 Nov 2014	4.45 PM – 6.30 PM	Room Dragon & Phoenix

Session: Economics

Session Chair: Prof. Kinfu Adisu, Fort Hays State University, USA

223: The Study on the Case of Open Innovation in the Warring States Period of China: Jeong-Hwan Jeon, Jin-Hwan Koh and Sung-Kyu Kim, Gyeongsang National University, Korea.

228: FDI and Export Performance; Could They Be Rivals?: Nejat Erk, Cukurova University, Turkey.

232: ICT Effects on Companies Performance: Economical Aspects: Rimantas Gatautis, Audrone Medziausiene and Asta Tarute, Kaunas University of technology, Lithuania.

234: RMB Exchange Rate Controversy – Interests and Implications: R.K. Marjerison, Royal University of Bhutan, Bhutan.

207: Soft Information and Local Independent Directors: Shangzhou ji, Shanghai University of International Business and Economics, China.

Tuesday 4 Nov 2014	8.45 AM – 10.30 AM	Room Dragon & Phoenix

Session: Banking, Economics and Finance

Session Chair: Dr. Rimantas Gatautis, Kaunas University of Technology, Lithuania

602: Influence of Efficiency and Capital Adequacy on Financial Performance's Regional Development Banks (BPD) in Indonesia: Sparta, STIE-Indonesia banking School, Indonesia.

304: Earnings Management by Top Chinese Listed Firms in Response to the Global Financial Crisis: Guanglu Xu and Xu-Dong Ji, La Trobe University, Australia.

204: Utility from Bequeathing Savings or Utility from Accumulating in the Ramsey Growth Model: Atef Khelifi, Concordia University, Canada.

219: The Fiscal Theory of the Price Level: Identification and Testing for the UK in the 1970s: Jingwen Fan, Jinan University, China, Patrick Minford and Zhirong Ou, Cardiff University, United Kingdom.

233: Are Incomes Per Capita Stochastically Converging Between Indian States? Time Series Evidence with Two Structural Breaks: Homagni Choudhury and Michael Hawes, Aberystwyth University, United Kingdom.

Tuesday 4 Nov 2014	10.30 AM – 11.00 AM	Inside Room

"Morning Tea Break"

Tuesday 4 Nov 2014	11.00 AM – 1.00 PM	Room Dragon & Phoenix

Session: Management

Session Chair: Prof. Ahmed Ahmed, Kuwait University, Kuwait

402: Kuwait SMEs: Size, Obstacles and Suggested Remedies: Ahmed Abdel Rahman Ahmed and Abdullah Al-Owaihan, Kuwait University, Kuwait.

405: How Do Research-Based Start-Ups Overcome The Valley Of Death?: Véronique Bessiere, Marie Gomez-Breysse, Karim Messeghem, Arnaud Milet and Sylvie Sammut, University of Montpellier, France.

415: Obstacles Facing Small and Medium Businesses in the Developing Countries and the Solutions: Asad Khalil and Wen Rong, Sichuan International Studies University, China.

412: Fall of Traditional Public Relations and Rise of Public Relations Technology in Nigeria: Eze Charles Chukwudi, University of Nigeria, Nigeria.

416: Deconstructing the Quality- Involvement Model in Indian Organizations: An SEM Approach: Ritu Sehgal, University of Wollongong, Dubai.

413: Academic Entrepreneurs: Cognitive Factors Driving Researchers To Start Their Own Venture: Maria Claudia Angel Ferrero and Véronique Bessière, University of Montpellier, France.

Tuesday 4 Nov 2014	1.00 PM – 2.30 PM L'ATRIUM Restaurant, 2nd Floor

"Lunch Break"

Tuesday 4 Nov 2014	2.30 PM – 4.15 PM	Room Dragon & Phoenix

Session: Economics and Finance

Session Chair: Dr. Xu-dong Ji, La Trobe University, Australia

225: Strategic Motives, Institutional Environments and Firm's FDI Ownership: Yigang Pan, York University, Canada.

205: Labour Casualization and Trade Unionism in Nigeria: Solaja Mayowa Oludele, University of Ibadan, Nigeria and Elijah Olusegun Akinola, Olabisi Onabanjo University, Nigeria.

210: The Effects of Foreign Direct Investment Regimes on Chinese Outbound Direct Investment in Africa: Mukete Beyongo**,** Australian National University, Australia.

212: China's Impact on Poverty in the Mekong Sub Region: H. Jalilian, University of Bradford, United Kingdom.

323: Do Newly Public Technology INVs Benefit from Their Pre-IPO Internationalization?: Xiaoying Ji, Ohio University, USA, Qian Wang, Kean University, USA and Lin Zou, Texas Woman's University, USA.

Tuesday 4 Nov 2014	**4.15 PM – 4.30 PM**	**Inside Room**

"Afternoon Tea Break"

~~~ End of Conference ~~~

List of Participants

Paper No.	Author Name	University	Country
210	Mr. Mukete Beyongo	The Australian National University	Australia
304	Dr. Xu-dong Ji	La Trobe University	Australia
608	Ms. Sadia Rahman	American International University - Bangladesh (AIUB)	Bangladesh
418 and 234	Prof. Rob Marjerison	Royal University of Bhutan	Bhutan
225	Prof. Yigang Pan	York University	Canada
204	Dr. Atef Khelifi	Concordia University	Canada
chair of conference	Prof. George Ye	Saint Mary's University	Canada
329	Miss. Jia Shi	Nanjing University	China
415	Dr. Asad Khalil	Sichuan International Studies University	China
421 and 103	Dr. Elisabetta Magnaghi	Renmin University	China
chair of conference	Prof. Xuehui He	Shanghai University of International Business and Economics	China
207	Mr. Shangzhou Ji	Shanghai University of International Business and Economics	China
405 and 413	Prof. Veronique Bessiere	University of Montpellier 2	France
315	Dr. Matthias Pelster	TU Dortmund University	Germany

602	Dr. (Cand). Sparta	STIE- Indonesia Banking School	Indonesia
302	Mr. Hossein Shafiei	Islamic Azad University, Sirjan Branch	Iran
401	Dr. William Lawrence	The University of the West Indies	Jamaica
223	Mr. Sung Kyu Kim	Gyeongsang National University	Korea
325	Prof. Young-Kyu Park	Sungkyunkwan University	Korea
402	Prof. Ahmed Ahmed	Kuwait University	Kuwait
232	Dr. Rimantas Gatautis	Kaunas University of Technology	Lithuania
410	Dr. Tim Lockyer	University of Waikato	New Zealand
412	Mr. Eze Charles Chukwudi	University of Nigeria	Nigeria
205	Mr. Oludele Solaja	University of Ibadan	Nigeria
327	Dr. Chia-Wu Lu	National Taipei University	Taiwan
observer	Mrs. Tabthip Kraipornsak	Kasetsart University	Thailand
228	Prof. Nejat Erk	Cukurova University	Turkey
416	Dr. Ritu Sehgal	UOWD	UAE
219	Dr. Zhirong Ou	Cardiff University	UK
233	Dr. Homagni Choudhury	Aberystwyth University	UK
233	Mr. Michael Hawes	Aberystwyth University	UK
212	Dr. Hossein Jalilian	University of Bradford	UK
214	Prof. Kinfu Adisu	Fort Hays State University	USA
312	Dr. Francis Cai	William Paterson University	USA
328	Dr. Erik Benrud	Drexel University	USA
323	Dr. Lin Zou	Texas Woman’s University	USA
observer	Mr. Alexander Hammer	U.S International Trade Commission	USA
206	Dr. Poh Yen Ng	RMIT University Vietnam	Vietnam

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Influence of Effeciency and Capital Adequacy on Financial Performance's Regional Development Banks (BPD) in Indonesia

Sparta[1]

This research study analyzes the efficiency in Indonesian BPD bank and to what extent the efficiency, capital adequacy, bank size and macro economic indicators influence on financial performance in Indonesian BPD bank for the period 2008-2012. This study uses the variables ROA, CAR, LNSIZE, GDP, GCRED and INF. The models are estimated using Ordinary Least Square and panel data obtained from Indonesian BPD bank. There are 26 Indonesian BPD banks contain 130 observations. The average BOPO in Indonesian BPD bank for the period of five years is 72.45%. BPD bank Aceh is the most inefficient bank which has BOPO 92.98% and South Sulawesi BPD is the most efficient bank wich has BOPO 54.03%. The most inefficient BPD for each year 2008, 2009, 2010, 2011 and 2012 respectively are BDKI, BSTR, BACH, BSUA and BSSN. The most efficient BPD bank for 2008, 2009, 2010, 2011, and 2012 respectively are BSST, BSTA, BKTM, BSTA and BSTA. None of Indonesian BPD bank in Java could be awarded the most efficient bank although they have total assets greater than BPD bank in outside Java .

BOPO, CAR, and LNSIZE have negatively significant influence on Indonesian BPD bank financial performance. Regional economic indicators, GCREDR has negatively significant influences on financial performance BPD bank but INFR has positively significant influences on financial performance and GPDRBT regional economic indicator does not appear to have significant influence on financial performance in Indonesian BPD bank.

Keywords: BOPO and CAR

1. Introduction

In the post-crisis period (after 2002), bank condition began to recover gradually. It can be seen from current performance of national banks began to improve compared with before the crisis period (Bank Indonesia, 2008). Better performance of national banks indicate that banks can recover from crisis performance. Improving financial performance can be done from two sides. One side, it can be done by operating income and other side by operating costs of bank. Efficiency indicator of bank operating expenses is ratio of operating expenses divided by operating income or shortened by BOPO (Endri, 2008).

Statistical data on bank performance which is issued by Bank Indonesia in 2011 shows that ROA national banks increase from 2001 to 2011. Although ROA performance has increased, but BOPO performance is not optimal. Indonesian banking efficiency level is lower than banks in other countries. BOPO ratio in Indonesia is always above 84% except for 2004. BOPO ratio in Malaysia, Singapore, and Thailand are under 70% (Bank Indonesia, 2011), BOPO figure in Indonesia is still relatively high.

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Research banking and financial performance which use efficiency frontier method is investigated by Bonin et.all (2003). He measures bank performance by ROA and ROE and bank efficiency by SFA. He find that banks wich have high ROA have positively significant relationship with the level of efficiency. Nigmonov's (2010) measures bank performance by ratio revenue to the bank assets. Micco, Panizea and Yaless (2005), and Malgahaes (2010) use ROA as a performance of bank variable. Fiorentino, Karman and Kotter (2006) also use ROA as a standard measurement of bank performance and relate it with the performance of bank efficiency using DEA and SFA. Mirnawati (2007) uses financial ratios ROA associated with bank performance using DEA. Alfarizi (2010) measures bank financial performance by ROE. Most of these studies show significant relationship between bank efficiency and bank performance.

How to measure the efficiency of bank performance uses traditional efficiency measurement? The study Sudiatno and Suroso (2010) uses BOPO traditional efficiency measures. BOPO is linked to ROA as an indicator of bank financial performance. They find that BOPO has negatively significant effect on bank financial performance. Research Sudiatno and Setyowati (2012), Rusdiana (2012), Sari (2011), and Amalia (2010) with a different year find the same results.

Bank Indonesia Regulation No. 10/15/PBI/2008 at 24 September 2008 about Liability Provision of Capital Adequacy of Commercial Banks in article 2, paragraph 1 states "Banks are required to provide a minimum capital of 8% (eight percent) of risk adjusted-weighted assets ". (http://www.bi.go.id). That provision has motivate the bank owner to add bank capital with the result that bank can expand the operation and increase the confidence of depositors.

Sufficient bank capital which could cover asset risk can probably improve bank performance (Rose, 2002). It can increase level of confidence of depositors to entrust their funds even though the interest rate is lower at third party funds (TPF). In terms of assets, high levels of capital adequacy will provide asset diversification and expantion opportunities that will improve the ability of bank to make profit or to increase bank financial performance. (Rose, 2002). Bank capital adequacy can affect the performance of the bank (Mester, 1996; Pastor et.al, 1997; Carbo et.al, 1999; and Girardone, Molyenux and Gardener, 2003). Capital adequacy research (CAR), also has positive influence on bank performance in Indonesia (Sudiyatno and Soroso (2010) and Sari (2011)). But Sudiyatno and Setyowati (2012), Amalia (2010) and Rusdini (2012) find that CAR does not significantly affect bank performance.

Chen (2001) examines the efficiency performance of banks in the United States. He uses macroeconomic variables GDP as an independent variable to investigate to what extent its influence on bank performance in that country. He find that macroeconomic conditions affect the performance of small banks, but not in large banks, because large banks have more diversified portfolios than small banks.

Regional Development Bank (BPD) is a bank which majority owner is local government. Currently a lot of BPD has been operating in other provinces. For examples West Sumatera BPD, Java BPD, North Sumatera BPD, West Java and Banten etc. Certainly, expansion of the BPD operational area give impact to capital adequacy, efficiency and performance of BPD itself. This study,is going to investigate to what extent the efficiency and capital adequacy influence bank financial performance for periode from 2008 until 2012.

Efficiency is measured by BOPO. Capital adequacy is measured by CAR and financial performance is measured by ROA. Macro variables such as Gross Domestic Product, inflation regional, regional credit growth use as control variables. Other control variable is the size of LN of bank total assets.

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Basic issues in this study are 1). How is the efficiency level in the Indonesian BPD Bank for the period 2008-2012? 2). To what extent efficiency and capital adequacy influence on financial performance in Indonesian BPD bank for the period 2008 – 2012? 3). To what extent macroeconomic indicators of previous year GDP growth, credit growth and inflation influence on financial performance in Indonesian BPD bank for the period 2008-2012?. 4). To what extent size influences on financial performance in Indonesian BPD bank for the period 2008-2012?.

The purpose of this study are 1). To investigate the efficiency level in the Indonesian BPD bank for the period 2008 - 2012 2). To determine to what extent efficiency, adequacy of capital influence on financial performance in Indonesian BPD bank for the period 2008-2012 3). To determine to what extent macroeconomic indicators influence on financial performance in Indonesian BPD bank for the period 2008-2012 . And 4). To determine to what extent size influences on financial performance in Indonesian BPD bank for the period 2008-2012.

The results of this study are expected to be useful: 1). For academics, the results of this study as the one of empirical evidence that can be used in developing specialized knowledge about efficiency, capital adequacy, bank size, macro indicators GDP, credit growth and inflation and its influence on financial performance in Indonesian BPD bank. 2). For the Financial Services Authority (OJK), the results can be used as a basis for evaluation and making policies about efficiency and capital adequacy requirements and operational control in Indonesian BPD bank. 3). For existing practitioners in the BPD, it can be used as a basis for estimating bank financial performance.

2. Literatur Review

Banking Performance

Performance of financial institutions must be evaluated by separating each unit of production and use better standard perform (Berger and Humphrey, 1997). This is done by applying a non-parametric frontier analysis or parametric frontier analysis in the financial industry.

Banking performance assessment indicators in Indonesia based on the ratios of Capital Adequacy Ratio, Gross Non-Performing Loans, Return on Assets, Net Interest Margin, ROA, and Loan Deposit Ratio (Bank Indonesia Annual Report, 2011).

Bank financial performance in this study uses return on assets (ROA) variable. ROA describes yield that can be given to the corporate funders (Subramanyan, 2010). Another ratio is Return On Equity (ROE). ROE is not used in this study. ROE describes yield from the shareholder perspective.

This study investigates the relationship between bank efficiency and bank financial performance. The results of previous studies show the strong relationship between financial performance and efficiency ratio (Mirnawati, 2007).

Banking efficiency

Bank efficiency is measured by the difference between costs incurred and minimum cost that should be issued by bank to produce the same output (Mardanugraha, 2005). Assessment of bank efficiency is also measured by the cost incurred at bank compared with the cost incurred based on bank best practice. Bank efficiency means the ratio between the cost of the minimum produce a specific output and the actual costs incurred bank (Hartono, 2009). Minimum cost is obtained from the estimated minimum cost of banking

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functions. Bank efficiency can be divided into two (Farel, 1957 in Fiorentino, Karman and Kotter, 2006), namely technical efficiency and allocative efficiency.

There are two approaches to measure bank efficiency (Hartono, 2009): 1). Traditional Approach, using the Ratio Index Number or BOPO. 2). Frontier Approach, based optimal company behavior in order to maximize output or minimize costs, as a way to achieve economic unit's goal.

Frontier approach provides two approaches: 1). Deterministic Approach: often classified as a Non-Parametric Approach, this approach uses Technical Mathematic Programming, or popular known as Data Envelopment Analysis (DEA). 2). Stochastic Approach: This approach is classified as a parametric approach, using Econometric Frontier. This study uses traditional approach to measure efficiency. Efficiency is measured by BOPO.

Bank Efficiency and Financial Performance

The relationship of financial performance and efficiency can be explained from the formulation ROA (Subramanyam, 2010; White, Sondhi and Fried, 2003; Robinson, Munter & Grant, 2004 and Fraser & Ormiston, 2007):

$$ROA = \frac{NIAT}{Average\ TA} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots.... \quad (1)$$

Formulation ROA can be decomposed as follows:

$$ROA = \frac{NIAT}{Sales} x \frac{Sales}{Average\ TA} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots.. \quad (2)$$

The more efficient company operation and higher utilization of the company asset, the higher company ability to provide returns to the funder. Thus there is relationship between operating efficiency and asset utilization (using financial ratios NPM and Turn Over Assets) with ROA and ROE (Subramanyam, 2010). The variables ROA, ROE, NPM and turn over assets are financial ratios that are used to measure corporate financial performance.

ROA formula (2) further elaborate to illustrate the performance of bank entity, it can be decomposed as follows:

$$ROA_t = \frac{NII_t}{(PO_t + PNO_t)} x \frac{(PO_t + PNO_t)}{Average\ TA} \quad \ldots\ldots\ldots\ldots\ldots.... \quad (3)$$

$$NII_t = (PO_t - BO_t) + (PNO_t - BNO_t) - BOH_t - Tax_t) \quad \ldots\ldots \quad (4)$$

Where ROA is bank return on assets, NII is bank net interest income, PO is operating income, BO is operating expense and PNO is non-operating income. BOH is bank overhead expense and tax is a tax.

Formula 4 is inserted into equation 3, then can be as follows:

$$ROA_t = \frac{(PO_t - BO_t) + (PNO_t - BNO_t) - BOH_t - Tax_t)}{(PO_t + PNO_t)} x \frac{(PO_t + PNO_t)}{Average\ TA} \quad \ldots\ldots\ldots\ldots\ldots(5)$$

Suppose the impact of changes in the level of bank efficiency (EFF) on PO_t and PNO_t are symbolized by α_{ef} and β_{ef}, then

$\alpha_{ef} = \frac{\%\Delta PO_t}{\%\Delta EFF}$; and $\beta_{ef} = \frac{\%\Delta PNO_t}{\%\Delta EFF}$

Assume that $\alpha_{ef}, \beta_{ef} > 0$, mean that an increase in the level of bank efficiency will increase bank operating income and bank non-operating income. The more efficient bank, the more operating income because bank is able to reduce operating costs with the result that operating income increase. It's because the bank can sell fund is lower than the other bank. Thus, the value of PO after a change in the level of bank efficiency is $(1 + \alpha_{ef})$, and the value of PNO after a change in the level of bank efficiency is $(1 + \beta_{ef})$.

The impact of a change in the level of bank efficiency (EFF) of the BO, BNO, BOH and Tax can be expressed as follows:

$$\gamma_{ef} = \frac{\%\Delta BO_t}{\%\Delta EFF};\ \delta_{ef} = \frac{\%\Delta BNO_t}{\%\Delta EFF};\ \rho_{ef} = \frac{\%\Delta BOH_t}{\%\Delta EFF};\ \text{and}\ \theta_{ef} = \frac{\%\Delta Tax_t}{\%\Delta EFF}$$

Assumed value $\gamma_{ef}, \delta_{ef}\ dan\ \theta_{ef} < 0$ mean an increase in the bank efficiency will make bank charges decrease. Thus, the value of BO, BNO, BOH and Tax after change in efficiency are equal to $(1 - \gamma_{ef})$, $(1 - \delta_{ef})$, $(1 - \rho_{ef})$ and $(1 - \theta_{ef})$.

Increasing efficiency impacts on increasing bank revenue, decreasing expense and will impact on increasing the value of bank assets. Thus, bank efficiency impacts on increasing bank asset positively. The impact of change in bank efficiency level on total assets can be expressed as follows:

$$\vartheta_{ef} = \frac{\%\Delta Total\ asset_t}{\%\Delta EFF}$$

The value of bank assets after change of bank efficiency will form equal to (1 + ϑ_{ef}). This means that the higher the level of efficiency of the bank changes, the higher total value of its assets.

The impact of change efficiency on ROA can be expressed by including the impact of change in the efficiency of each component to the equation 5, with result that it becomes as follows:

$$\frac{\Delta ROA_t}{\Delta EFF} = \frac{((1+\alpha)PO_t - (1-\gamma)BO_t) + ((1+\beta)PNO_t - (1-\delta)BNO_t) - ((1-\rho)\ BOH_t) - ((1-\theta)Tax_t))}{((1+\alpha)PO_t + (1+\beta)PNO_t)}\ x\ \frac{((1+\alpha)PO_t + (1+\beta)PNO_t)}{(1+\vartheta)Average\ TA} \quad \ldots\ldots\ldots\ldots\ldots\ldots (6)$$

Suppose assume $\alpha_{ef} = \beta_{ef} = \gamma_{ef} = \delta_{ef} = \rho_{ef} = \theta_{ef} = \vartheta_{ef}$, then the impact on ROA efficiency can be obtained as follows

$$\frac{\boldsymbol{\Delta ROA_t}}{\boldsymbol{\Delta EFF}} = \frac{((\boldsymbol{1}+\boldsymbol{\alpha_{ef}})\boldsymbol{PO_t} - (\boldsymbol{1}-\boldsymbol{\alpha_{ef}})\boldsymbol{BO_t}) + ((\boldsymbol{1}+\boldsymbol{\alpha_{ef}})\boldsymbol{PNO_t} - (\boldsymbol{1}-\boldsymbol{\alpha_{ef}})\boldsymbol{BNO_t}) - ((\boldsymbol{1}-\boldsymbol{\alpha_{ef}})\ \boldsymbol{BOH_t}) - ((\boldsymbol{1}-\boldsymbol{\alpha_{ef}})\boldsymbol{Tax_t}))}{((\boldsymbol{1}+\boldsymbol{\alpha_{ef}})\boldsymbol{PO_t} + (\boldsymbol{1}+\boldsymbol{\alpha_{ef}})\boldsymbol{PNO_t})}\ x\ \frac{((1+\alpha_{ef})PO_t + (1+\alpha_{ef})PNO_t)}{(1+\alpha)Average\ TA} \quad \ldots\ldots\ldots\ldots\ldots (7)$$

then,

$$\frac{\boldsymbol{\Delta ROA_t}}{\boldsymbol{\Delta EFF}} = \frac{((\boldsymbol{1}+\boldsymbol{\alpha_{ef}})(\boldsymbol{PO_t}+\boldsymbol{PNO_t})) - ((\boldsymbol{1}-\boldsymbol{\alpha_{ef}})(\boldsymbol{BO_t}\ ) - \boldsymbol{BOH_t} - \boldsymbol{Tax_t}))}{((1+\alpha_{ef})(PO_t+PNO_t)}\ x\ \frac{((PO_t+PNO_t)}{Average\ TA} \quad \ldots\ldots\ (8)$$

so:

$$\frac{\boldsymbol{\Delta ROA_t}}{\boldsymbol{\Delta EFF}} = \left[\boldsymbol{1} - \frac{(\boldsymbol{1}-\boldsymbol{\alpha_{ef}})(\boldsymbol{BO_t} - \boldsymbol{BOH} - \boldsymbol{Tax})}{((1+\alpha_{ef})(PO_t+PNO_t)}\right] x\ \frac{(PO_t+PNO_t)}{Average\ TA} \quad \ldots\ldots\ldots\ldots\ldots (9)$$

When EFF level increase cause $\alpha_{ef} < 1$, then increase the EFF will cause ROA decrease. However, when increase in EFF cause $\alpha_{ef} > 1$, then EFF will causes ROA increase. Thus the efficiency impact on ROA could be positive and negative, it depends on the extent of the impact of efficiency change to

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change in revenue and expense components. When the impact of this change is under one, then increases efficiency causes ROA decrease, but when this change above one, then increases in EFF will causes ROA increase. It is assumed that $\alpha_{ef} > 1$ that every 1% increase in efficiency levels cause rising income and expense components fell more than 1%. Thus, the efficiency level of relationship with ROA is positive.

Bank financial performance research that use financial ratios and efficiency by frontier method is investigated by Bonin, Hasa, and Wachtel (2003). Bonin et.all use bank performance ratio by ROA and ROE and relate it to the bank efficiency using SFA. The results are banks with high ROA have positively significant relationship with the efficiency level using SFA. Nigmonov research (2010) uses performance indicator ratio revenue to the bank assets. Micco, Panizea and Valess (2001) and Malgahaes et.all (2010) use ROA as a bank performance variable. Mirnawati (2007) uses ROA ratio associate with bank performance using DEA. Alfarizi (2010) use the bank financial performance by ROE to see the connection with the bank efficiency in Indonesia. Sudiatno and Suroso (2010), Sudiatno and Setyowati (2012), Rusdini (2012) and Amalia (2010) use ROA variable as an indicator of the bank financial performance associate with traditional efficiency BOPO. The results are BOPO have negatively significant influence on the bank financial performance (ROA). Research Fiorentino, Karman and Kotter (2006) also use a variable ROA as a standard measurement of bank performance and link it with the performance of bank efficiency using DEA and SFA. According to these studies indicate that there is relationship between ROA and efficiency which use either the traditional method or the frontier, but few studies indicate no connection between ROA and efficiency.

Capital Adequacy and Bank Financial Performance

Bank capital requirements in the Basel Accord 1 in 1988, have increased bank capital in Europe (Fiordelisi et al, 2010). Capital requirement issued by the Bank of International Setlement (BIS) is also adopt by Bank Indonesia in regulating bank capital in Indonesia. The amount of bank capital required at least 8% of total risk adjusted weighted assets.

Bank Indonesia Regulation No. 10/15 / PBI / 2008 at 24 September 2008 on Liability Provision of Capital Adequacy of Commercial Banks, states that "Banks are required to provide a minimum capital of 8% (eight percent) of risk-weighted assets (RWA)". Further, the Bank is required to provide a core capital of at least 5% (five percent) of the RWA, both individually and on a consolidated basis with its subsidiaries "(http://www.bi.go.id).

Increasing bank capital adequacy will improve bank performance. This is due to increasing in the level of confidence of depositors to entrust their funds even though the interest rate is lower in third party funds. In terms of assets, high levels of capital adequacy will provide an opportunity for bank to diversify its asset and to do expantion in order to improve the ability of bank profitability (Rose, 2002).

Bownmen Berger (2009) investigate the level of bank capital for small, medium and large banks. He finds that small banks can survive in the current market crisis and the banking crisis that occurred in the world especially in the United States. The level of capital in medium and large banks can only survive when the banking crisis occurs. It indicate that there is relationship between bank capital and bank performance. The results of the research in Indonesia by Sudiyatno and Soroso (2010) show that the capital adequacy has a positively significant relationship to the bank performance. While the opposite results are conducted by Sudiyatno and Setyowati (2012), Rusdini (2012) and Amalia (2010) show that CAR do not significantly affect the bank performance.

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Size and Financial Performance Bank

In this study the size of the bank is measured by the bank total assets. In equation $ROA = \frac{NIAT}{Sales} x \frac{Sales}{Average\ TA}$ has shown that total assets negatively relate to ROA or the company performance. It's assume that NIAT and sales unchanged when asset increase (Subramanyan, 2010). But in reality increasing in the value of assets is often followed by increasing NIAT and sales and thus increasing the total asset can increase ROA.

Macro Economic Indicators and Financial Performance Bank

Chen (2001) investigate the relationship between bank performance and macroeconomic in the United States. Macro variables that he use are changes in GDP, changes in unemployment rates, changes in key economic indicators (M2 money supply) and the difference between the interest rate treasury bonds with a term of 10 years and the interest rate the central bank. Findings show the majority of economic indicators have influence on the bank performance.

Study conduct by Beck and Hesse (2006) about the bank performance in Uganda in 1999-2005 uses independent variables of macroeconomic as GDP growth, real T-Bill rate, inflation and exchange rate. Bank performance uses indicators of changes in spreads and bank margins. Changes in macroeconomic conditions have a low explanatory power in explaining the changes in spreads and margins and not significant.

Macroeconomic indicators of GDP may affect bank performance. Ianotta et.all (2006) find that GDP significantly positive affects the bank performance in 15 European countries. Banking performance is influenced by GDP, bank profits and bank earnings. The higher the GDP of a country, the higher the performance of banks in that country. According to Ross (2005), Current year GDP impact on bank performance in the following year.

Inflation affects interest rates. In the nominal interest rate on bank loans include inflation (Rose, 2002). The higher inflation rate the lower bank financial performance, this is caused by the increase in operating expenses and the cost of funds of banks. However, when increasing inflation can increase credit income is greater than the increase in interest expense and bank operations, the impact of increasing inflation is positive on bank performance. Theory Philiips (Mankiw et.all, 2013) describes the increase in inflation within certain limits can reduce unployment, so that economic growth will increase and than performance of the company will increase too. Both the theory presented by Rose and Philip contradictory because a different perspective.

Credit growth will improve bank performance (Ross, 2002). Bank credit growth will increase bank interest income when the loan growth is not accompanied by a significant increase in bad debts. Thus the impact of credit growth on bank performance can be positive or negative.

Based on the study of theory, hypothesis propose in this research problems are 1). Ha1: Bank efficiency is estimated influence BPD bank financial performance. 2). Ha2: Capital adequacy is estimated influence BPD bank financial performance. 3). Ha3: Size is estimated influence BPD bank financial performance. 4) Ha4: The growth of regional domestic product in one year is estimated influence BPD bank financial performance in the following year. 5). HA5: Regional Banking Loan Growth is estimated influence BPD bank financial performance. 6). HA6: Regional Inflation is estimated influence BPD bank financial performance

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3. Research Metodology

This study is conducted to obtain data and information about bank efficiency, capital adequacy, bank size and PSDRB macroeconomic variables, inflation, and the growth of credit on financial performance in Indonesian Regional Development (BPD) Bank. Data collection technique uses secondary data and financial statements Indonesian BPD Bank reports. In this study, Dependent variable is bank performance (ROA) and independent variables are bank efficiency (BOPO) and capital adequacy ratio (CAR). Control variables are LNSIZE and GDP, GCRED, INF. Definition and operational research variables see Table 1.

Table 1. Definition and Operational of Research Variable

Variable	Definition	indicator	measure	Scala
BOPO	Operating expense to operating income.	Operating expense/Operating income	Ratio	Ratio
CAR	Capital Adequate ratio	Total Modal / Risk-weight asset	Ratio	Ratio
GPDRB	Growth Product Domestic Regional Bruto	$(PDRB_{t1} - PDRB_{t0})/PDRB_{to}$	Ratio	Rasio
LNSIZE	Total asset	Ln of asset	Ratio	Ratio
GCRED	Growth of regional credit	$(CRED_{t1} - CRED_{t0})/CRED_{t0}$	Ratio	Ratio
INF	Regional inflation level	Years	Ratio	Ratio
ROA	Return on Asset bank	$Net\ Income\ after\ tax/total\ asset$	Ratio	Ratio

The population is the banking industry. The banking industry is made up of three groups: Commercial Bank, Islamic Bank and Rural Bank. The population of the three groups, Industrial Commercial Bank is selected population, while the Islamic Bank and BPR are not included in this study. Of the population of commercial banks, regional development banks (BPD) is selected group.

The samples are all Indonesian BPD bank for the period 2008 - 2012. There are 33 provinces throughout Indonesia. Of the 33 province, the number of BPD is 26 banks throughout Indonesia, This is because 7 provinces join existing between BPD. In general, provinces that do not have BPD itself is a new emerging provinces since the reform. The number of observations of 26 BPD for the period 2008 to 2012 are 130 observations.

Source of data is secondary data, which is taken from the annual financial statements for 2008-2012. Other data source is taken from Indonesian Banking Directory (Indonesian Banking Statistics) for 2008-2012 Other sources namely Economic Statistics of BPS. GDP data is taken annually, so GDP impact on the performance is also measured annually.

Data analysis use Ordinary Least Square method with panel data. Panel data analysis is used because the data use a sequence of 2008 up to 2012 and cross section data for all BPD in Indonesia.

In panel data, need to be tested whether the panel data regression models use the fixed effect model (FEM) or random effect model (REM). It required Housman test on the panel data. This test uses Ho: REM model and H1: FEM model. When P-value test indicate above Housment alpha 1% or 5% or 10% then Ho is accepted means that panel data is appropriate to use the model of REM (Gujarati, 2003). Residual normality test, multicolinearity test, autocorrelation test and heteroskedasitas test are conducted on panel data regression to obtain regression models are BLUE

Multiple linear regression equation use in this research as follows:

$$\mathbf{ROA_{it} = \gamma_0 + \gamma_1 BOPO_{it} + \gamma_2 CAR_{it} + \gamma_3 LNSIZE_{it} + \gamma_4 GPDRB_{t-1,r} + \gamma_5 GCRED_{t,r} + \gamma_6 INF_{t,r} + u_{it-1,r}}$$

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4. Empirical Results

Descriptive statistical overview of research can be seen in Table 2. Average, maximum and minimum of BOPO in year can be seen in Table 3.

Table 2 Descriptive Statistic

	ROA?	BOPO?	CAR?	TASSET?	LNSIZE?	GPDRB?	GPDRBT?	GCREDR?	INFR?	RESID?
Mean	0.0352	0.72459	0.185739	9828398	15.67283	0.059707	0.05888	0.282866	0.055935	9.34E-17
Median	0.033	0.73275	0.18515	6497967	15.68697	0.06065	0.0599	0.272745	0.05	0.000124
Maximum	0.0611	0.9298	0.2773	66993997	18.02011	0.1081	0.1081	0.562912	0.1049	0.018289
Minimum	0.0127	0.5403	0.106	800127	13.59253	0.0108	0.0223	-0.06347	0.0006	-0.01745
Std. Dev.	0.010408	0.077427	0.041595	9974584	0.951477	0.017571	0.016115	0.102652	0.024354	0.00624
Jarque-Bera	3.506662	1.050673	5.172479	646.145	3.262789	2.693685	3.890042	3.990963	5.20322	3.024803
Probability	0.173196	0.591356	0.075303	0	0.195656	0.26006	0.142984	0.135948	0.074154	0.22038
Sum	4.576001	94.19673	24.14606	1.28E+09	2037.468	7.76192	7.65443	36.77258	7.271523	1.21E-14
Sum Sq. Dev.	0.013974	0.773348	0.223185	1.28E+16	116.7847	0.039827	0.033501	1.359334	0.076515	0.005022
observations	130	130	130	130	130	130	130	130	130	130
Cross sections	26	26	26	26	26	26	26	26	26	26

Source: Modified by Statistics Software

The most inefficient bank is bank with the highest scores BOPO for the year observations. Table 3 indicate that BDKI is the least efficient bank in 2008 and then BSTR least efficient bank in 2009, BACH in 2010, BSUA in 2011 and BSSN in 2012. Of the five most inefficient BPD, the least inefficient BPD during the observation period is BACH banks in 2010.

Table 3 Average Annual BOPO, Max and Min BOPO period 2008-2012

BANK BPD	2008	2009	2010	2011	2012
_BDKI	**0.8971**	0.8846	0.8302	0.7974	0.8143
_BSTA	0.7949	**0.5555**	0.6475	**0.5445**	**0.5956**
_BKTM	0.5534	0.6369	**0.5529**	0.6386	0.6819
_BSSN	0.8181	0.7809	0.8081	0.8064	**0.8228**
_BSTR	0.7402	**0.8984**	0.6865	0.7599	0.7776
_BACH	0.7057	0.7139	**0.9298**	0.7736	0.7151
_BSUA	0.8198	0.6262	0.8509	**0.8496**	0.7745
_BSST	**0.5403**	0.5709	0.66	0.72	0.7166
Average	**0.7304**	**0.7135**	**0.71432**	**0.73353**	**0.73129**
max	**0.8971**	**0.8984**	**0.9298**	**0.8496**	**0.8228**
Min	**0.5403**	**0.5555**	**0.5529**	**0.5445**	**0.5956**
Sum BPD	**26**	**26**	**26**	**26**	**26**

The most efficient bank every year is bank which has the lowest BOPO scores. In Table 4 shows that there is BPD bank which received title the most efficient bank for three years. The bank is BSTA in 2009, 2011 and 2012, while the other two banks BPD received title of the most efficient bank namely BSST in 2008 and in 2010 is BKTM.

The most interesting part of the results are none of BPD bank in Java that notebene has total assets greater than BPD bank outside of Java can be given awarded the most efficient bank. It indicate that BPD bank which has great asset does not guarantee getting more efficient than the BPD bank which has low asset.

Results of Regression Equation and Hipothesis Test

Hausman test result (Table 4) shows that the model used by the panel data approach is the random effect model.

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Table 4. Housman test

Correlated Random Effects - Hausman Test Pool: APOOL Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.358054	6	0.8840

Table 5. Results of Panel Data Regression (Random Effect Model)

Variable	Coefficient	t-Statistic	Prob.	Sign
C	0.154080	7.981957	0.0000	*)
BOPO?	-0.100035	-12.19411	0.0000	*)
CAR?	-0.038844	-2.016860	0.0459	**)
LNSIZE?	-0.002358	-2.383486	0.0187	**)
GPDRBT?	-0.015448	-0.381453	0.7035	No sign
GCREDR?	-0.014209	-2.706702	0.0078	*)
INFR?	0.048321	2.211524	0.0288	**)
R-squared	0.602398	Mean dependent var	0.017376	
Adjusted R-squared	0.583003	S.D. dependent var	0.007956	
S.E. of regression	0.005138	Sum squared resid	0.003247	
F-statistic	31.05916	Durbin-Watson stat	1.947914	
Prob(F-statistic)	0.000000			

*) sign at 1% alpha, **) sign at 5% alpha
Source: Modified by software statistic

The results of the regression equation using statistical software can be seen in table 5. Regression equation of observation can be written as follows:

$$\boldsymbol{ROA_{it} = 0.154080 - 0.100035\, BOPO_{it} - 0.038844\, CAR_{it} - 0.002358\, LNSIZE_{it} - 0.015448\, GPDRB_{t-1,r} - 0.014209\, GCRED_{t,r} + 0.048321\, INFR_{t,r}}$$

Residual normality is tested by Jarque-fallow test. The result is normal (table 3). Multicollinearity test results show that correlation among independent variable is -0.4285, thus no symptoms of multicollinearity on the regression results above. Durbin-Watson test results (see Table 6) show that the DW statistic is 1.947914. DW statistic value is between the value of DU and below the 4-DU. Value DU and 4-Du with k = 6 and 130 samples were 1,836 and 2,164. Thus there is no symptom of autocorrelation on the regression equation above.

Heteroscedasticity is tested by Breusch-Pagan Godfrey. The results show that there is no regression equation heteroscedasticity symptoms (Table 7). This means that the regression equation residuals are not correlated with independent variable regression equation.

Table 6. Heteroscedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	1.694975	Prob. F(6,123)	0.1277
Obs*R-squared	9.927775	**Prob. Chi-Square(6)**	**0.1277**
Scaled explained SS	12.43126	Prob. Chi-Square(6)	0.0530

Source: Modified by Software Statistic

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According to the table 5 above, then 1). Hypothesis Ha1, bank efficiency effects on BPD bank financial performance, is acceptable. 2). Hypothesis Ha2, bank capital adequacy affects on BPD bank financial performance, is acceptable. 3). Ha3, bank size affects on BPD bank financial performance, is acceptable. 4). HA4, GDP growth rate affects on BPD financial performance, is not acceptable. 5). HA5, GDP growth rate affects significantly negative on BPD bank financial performance, is acceptable. 6). HA6, regional inflation rate affects on BPD bank financial performance, is acceptable

Analysis of Efficiency Effect on BPD Bank Financial Performance

The results of the regression and hypothesis test above indicate that BPD bank inefficiencies can negatively affect on BPD bank performance. This result consistent with studies Sudiyatno, Bambang and Suroso (2010), Sudiyatno, Bambang and Setiyowati (2012), Rusdiana (2012), Amalia, Holy (2010), Sari and Koesoema (2011). All of these studies show the negative effect of BOPO on financial performance (ROA). Thus the results of this study reinforce the findings of previous research results.

Analysis of Capital Adequacy on BPD Bank Financial Performance

Capital adequacy BPD bank negatively affects on BPD Bank financial performance. This result indicate that high capital adequacy due to two things: high bank capital or high bank risk-weighted asset. Banks tend to make investments and lending at high risk for high yields. Bank policy tends to take risks so that RWA bank will be higher and the capital adequacy will be lower, but it can increase bank performance. Bank that reduces to take risk make RWA bank will be lower. Lowering RWA lead to increase capital adequacy so that the benefits also decrease and finally led to decrease bank performance. The results consistent with studies Sudiyatno, Bambang and Suroso (2010), Sari and Koesoema (2011), showing significant negative effect on the bank capital adequacy. The results study Berge, Allen N and Bouwman (2009) indicate negative effect of bank capital on performance of large and medium-sized banks for the financial crisis. The results of this study do not support the research Sudiyatno, Bambang and Setiyowati (2012), Rusdiana (2012), Amalia, Lala and the Sacred (2010) and the theories mentioned by Rose (2002) that high level of capital adequacy will provide asset diversification opportunity for bank expantion and can improve bank ability to increase its profitability or financial performance.

Analysis of Control Variables on BPD Bank Financial Performance

Empirical results of this study indicate that the higher the size of the BPD bank has lowered the bank performance. For the observation period 2008 to 2012, show that BPD which has high assets have lower financial performance BPD bank which has low assets. Empirical results are consistent with the result of previous studies conducted by Bonin, Hasa and Wachtel (2003) and the theory mentioned by Subramayan (2010).

These results indicate that of the three regional economic indicators, only GDP growth shows that the result of the GDP growth previous year does not significantly affect the financial performance of banks BPD in the following years. While bank credit growth indicator of regional and regional inflation rates significantly affect bank performance BPD.

These results are not consistent with the results of research conducted by Bonin, Hasa, and Wachte (2003) and Ionatta et.all (2006) who find that significant positive GDP growth affect bank performance. This result is also not consistent with the theory mentioned by Ross (2005). The results of this study are not consistent with previous studies. This is because economic growth used by this study is a regional (provincial) while previous research is conducted using the national economic growth State. Second, BPD in their regional lending and absorption of public funds are still inferior compare with national banks that have higher assets and wider branch network. Third, the quality of human resources BPD bank is expected lower than quality of human resources of national banks. Fourth, The level of efficiency of national banks which have branches in every province alleg higher than the BPD. With this condition, the increase in economic growth in the province can not affect the BPD Bank performance because they are not able to compete with national banks. BPD rely more on lending to local corporations mainly owned by the local government. The source of funds BPD bank depend on pocket-project PAD and local government projects.

Regional credit growth (all banks in the local area) significantly negative affects on BPD Bank financial performance. These result is not congruence with the theory expressed by Rose (2005) who states that the increase in credit growth can improve the company financial performance.

From the observational data shows that the average growth rate of the 2008 regional credit tends to increase up to 2012. The increase in credit growth can not improve BPD bank performance. This is because, first, the market share of the credit in the province allegedly has not been controlled by local banks but it is controlled by large national banks that have branches in that area. Second, BPD allegedly can not use the moment to improve the performance associate with an increase in credit growth. Third, Increasing in BPD bank credit growth each year for the observation period allegedly unsupported by infrastructure and human resource readiness.

These results indicate that the rate of inflation can significantly improve BPD bank performance. These results are consistent with the theory mentioned by Rose (2005) that the nominal interest rate on bank loans already includes inflation. The higher the inflation, the higher the interest rate. Increasing interest rates can increase operating income assuming bank can increase its efficiency levels. The higher the inflation rate, the bank financial performance will be lower or higher. The increase in the inflation rate can be negative or positive impact on the bank financial performance.

Managerial Implications of Research Results

The level of inefficiency BPD, capital adequacy, bank size, and negatively affect the credit growth significantly on BPD bank performance. These results have implications to BPD bank manager in making the program to improve the bank financial performance. First, bank managers must make efficiency improvements in order to increase the bank performance. Second, bank managers must make arrangements at least 5% of capital adequacy in accordance with the provisions of the banking authorities. Total capital adequacy well above provisions will give implications for declining in BPD bank financial performance. Third, Increasing BPD bank size must be accompanied by increasing in the bank operational efficiency and increasing bank volume operations. Thus increasing in BPD bank size does not cause decreasing in bank performance. Fourth, bank managers must make improving the quality of its human resources in the management of credit so that the moment of growth of bank credit in the province can be utilized to increase BPD bank credit. Implications relating to management of credit growth are necessary to make the increasing BPD bank credit management efficiency program, and increasing lending to the public and private companies to promote economic growth and BPD bank performance.

Managerial implications in connection with the positive effect of inflation on the BPD bank performance are in the event of rising inflation in that region, BPD bank should increase its credit expantion programs.

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5. Conclusions

Average inefficiency Indonesian BPD bank for five-year observation period is 72.45%. BACH is the least efficient bank and BSST is the most of efficient bank. The most inefficient BPD bank for the years 2008, 2009, 2010, 2011 and 2012 respectively are BDKI, BSTR, BACH, BSUA and BSSN. While the most efficient BPD bank for 2008, 2009, 2010, 2011, and 2012 respectively are BSST, BSTA, BKTM, BSTA and BSTA.

The level of inefficiency BPD bank, bank capital adequacy, bank size and regional credit growth have a negative effect on BPD bank financial performance. GDP growth has no significant effect on financial performance BPD bank. Regional inflation rate has positive influence on Indonesian BPD bank financial performance.

Limitations of this study are 1). Not examine the influential factors that explain why the growth of regional GDP and credit growth do not influence Indonesian BPD bank performance 2). Use traditional approach to measure efficiency BPD bank.

Suggestions this study are 1). To improve BPD bank performance, BPD bank managers have to make the program for strenghtening financial performance through increasing bank efficiency, managing capital adequacy, increasing bank assets must be accompanied by increasing in operational efficiency, increasing operational volume, improving the quality of human resources in managing bank credit. 2). For subsequent researchers need to consider using frontier approach. Using this approach, the level of bank efficiency can be compared with the best practice bank, so the bank can be assessed with good efficiency rating. 3). For subsequent researchers need to examine factors trigger the negative impact of credit growth on BPD bank financial performance. The factors are quality of human resources, credit monitoring system, diversification of credit and other factors that trigger a strong relationship between credit growth and good financial performance. 4). For subsequent studies suggested to conduct research about trigger factors that causal GDP growth does not significantly affect on bank performance in Indonesian BPD bank. The factors are the quality of human resources, diversification of credit, the ability to compete with other banks, and another potential factors. 5). For institutions banking authorities, it is advisable to do a strengthening efficiency BPD bank in order to improve BPD bank financial performance that contribute to the banking financial system. Provide reinforcement requirements to bank officials competencies particularly to officers lenders and credit monitoring.

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Dear Dr. Sparta,

Congratulations! We are pleased to inform you that your paper titled "Influence of Efficiency and Capital Adequacy of Financial Performance's Regional Development Banks in Indonesia" has been accepted, after double blind peer review, for oral presentation at the above international conference. Please note the following:

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Lampiran (1 set)

Dengan hormat,

Berdasarkan Surat Tugas 009/P3M-ST-DOS/STIE IBS/IX/2014, tanggal 29 September 2014 perihal menghadiri dan mempresentasikan Makalah pada kegiatan Annual Shanghai Business, Economics and Finance Conference di Shanghai, China, dengan ini kami sampaikan laporan pelaksanaannya sebagai berikut:

1. Kegiatan telah kami ikuti pada tanggal 3-4 Nopember 2014 bertempat di Hotel Mercure Shanghai China dekat kampus Shanghai University of Busisness and Economic, China.
2. Peserta Pemakalah terdiri dari 34 Pemakalah yang berasal dari 21 Negara (Rincian Pelaksanaan Program Terlampir).
3. Kami telah melaksanakan presentasi pada hari Selasa tanggal 4 Nopember 2014, jam 08,00 pagi waktu Shanghai dengan Moderator Dr. Rimantas Gatautis, Kaunas University of Technologi, Lithunia. Dengan Waktu presentasi 15 menit ditambah 5 menit tanya jawab.
4. Uang Muka Biaya dan realisasi biaya konferensi Internasional adalah sebagai berikut:

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1	Uang Muka dari IBS, tertima tgl 17 Oktober 2014		**16.096.539,00**
II.	Realisasi Pengeluaran		
1	Biaya registrasi $450,-	5.745.018	
2	Ticket pesawat pp tgl 2 dan 5 November 2014 dengan Garuda Airways USD.764,63	9.945.000	
3	Hotel tiga (3) malam di Rich Garden Hotel Shanghai Usd.234,39	2.807.773.	
4	Uang taxi dan Metro kereta bawah tanah Pudong Airport – GuBei Road = 221+160 yuan= 281 yuan= (1 Yuan Rp2000)	562.000	
5	Airport tax cengkareng	150.000	
6	Uang Taxi bandara cengkareng BSD = 2 x Rp160.000	320.000	
7	Uang makan malam = 3 x Rp150.000	500.000	
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Demikian laporan ini kami buat atas pertimbnagan dan kesempatan yang Bapak berikan kami ucapkan banyak terima kasih.

Hormat Kami,

Sparta

Dosen Tetap STIE IBS

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