COMPARISON OF BANK PERFORMANCE ON THE BANK OWNERSHIP OF KOREAN BANK

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ABSTRACT
This research aims to analyze the financial performance of banks based on Korean bank ownership from the second quarter of 2019 to the third quarter of 2023. This study employs a descriptive research type with a quantitative approach. Findings on the liquidity ratio show that the average Loan to Deposit Ratio (LDR) exceeds 92%, which is above the standard set by Bank Indonesia. For the profitability ratio, the average Return on Assets (ROA) ratio of most banks falls below 1.5%, below the benchmark established by Bank Indonesia. In the Capital Adequacy Ratio (CAR) analysis, the CAR exceeds 10%, which is above the standard set by the Financial Services Authority (OJK). In the solvency ratio analysis, the average Debt to Equity Ratio (DER) of most banks is below 4.22 times, which is under the benchmark published by the Indonesia Stock Exchange (IDX) as of June 2024.

Keywords : *Financial Ratios, Loan-to-Deposit Ratio, Capital Adequacy Ratio, Debt-to-Equity Ratio, Return on Assets, Korean Banks.*

ABSTRAK
Penelitian ini bertujuan untuk menganalisis kinerja keuangan bank berdasarkan kepemilikan bank Korea dari kuartal kedua tahun 2019 hingga kuartal ketiga tahun 2023. Penelitian ini menggunakan jenis penelitian deskriptif dengan pendekatan kuantitatif. Temuan pada rasio likuiditas menunjukkan bahwa rata-rata Loan to Deposit Ratio (LDR) melebihi 92%, yang berada di atas standar yang ditetapkan oleh Bank Indonesia. Untuk rasio profitabilitas, rata-rata Return on Assets (ROA) sebagian besar bank berada di bawah 1,5%, di bawah tolok ukur yang ditetapkan oleh Bank Indonesia. Dalam analisis Capital Adequacy Ratio (CAR), CAR melebihi 10%, yang berada di atas standar yang ditetapkan oleh Otoritas Jasa Keuangan (OJK). Dalam analisis rasio solvabilitas, rata-rata Debt to Equity Ratio (DER) sebagian besar bank berada di bawah 4,22 kali, yang berada di bawah tolok ukur yang diterbitkan oleh Bursa Efek Indonesia (BEI) per Juni 2024.

Kata Kunci : Rasio Keuangan, Loan-to-Deposit Ratio, Capital Adequacy Ratio, Debt-to-Equity Ratio, Return on Assets, Bank Korea.

Introduction

Bank acquisitions in Indonesia occurred following the 1997 economic and financial crisis, driven by the deregulation of financial institutions and the banking sector to promote consolidation, improvement, and competitiveness within Indonesian banking. Both foreign and domestic banks pursued acquisitions with similar motivations, such as enhancing productivity and expanding market reach. Previous studies conducted across various countries have examined the impact and relationship of acquisitions on efficiency, profitability, market expansion, and financial performance. This research will compare the performance of banks with Korean ownership by analyzing financial ratios from quarterly reports, including Return on Assets (ROA), Debt to Equity Ratio (DER), Capital Adequacy Ratio (CAR), and Loan to Deposit Ratio (LDR). According to Bank Indonesia's standards, the benchmark for ROA is 1.5%, while the acceptable range for the LDR is 78% to 92%. As of June 2024, data from the Indonesia Stock Exchange (IDX) indicates that the DER standard for publicly listed banks is 4.22 times. Additionally, the Financial Services Authority (OJK) requires banks with low to moderate risk profiles to maintain a CAR above 10%. This study will provide insights into the performance and competitive position of banks within the industry, assessing the risk profile of each bank.

Literature Review
Signaling Theory

Signaling theory explains why companies are motivated to present financial reports to external parties. This motivation stems from information asymmetry between the company (management) and external stakeholders, as management has

quicker and deeper insights into internal company information than do external parties like investors and creditors (Sari and Zuhrotun, 2006).

A strong financial report serves as a positive signal, indicating that the company is performing well. External parties respond favorably to positive signals, as market reactions heavily rely on the fundamental indicators shared by the company. Investors are likely to commit capital only if they believe the company can generate added value on their investment, surpassing potential returns elsewhere. For this reason, investors focus on the company's financial strength as demonstrated in its financial reports.

Financial Ratio Analysis

A financial report consists of a balance sheet, income statement, and statement of changes in equity. The balance sheet provides an overview of the company's assets, liabilities, and equity at a specific date. The income statement outlines the profits earned and expenses incurred over a defined period, while the statement of changes in equity explains the sources, uses, and factors influencing changes in the company's equity (Munawir, 2010).

Liquidity Ratio

The liquidity ratio is a metric used to evaluate a company's liquidity, or its ability to fulfill short-term obligations (Kasmir, 2019). The Loan to Deposit Ratio (LDR) specifically measures the extent to which a bank uses depositor funds to issue loans to its customers (Frianto, 2012).

$$LDR = \frac{Loan}{Third\ Party\ Fund} \quad (1)$$

Capital Adequacy Ratio

The Capital Adequacy Ratio (CAR) reflects a bank's capacity to maintain adequate capital levels and demonstrates the management's ability to identify, assess, monitor, and manage risks that may impact the bank's capital (Kuncoro Mudrajat and Suhardjono, 2002).

$$CAR = \frac{Capital}{Risk\ Weighted\ (Credit + Market + Operasional)} \quad (2)$$

Profitability Ratio

Profitability represents a company's capacity to generate profits from the capital employed to produce those profits (Martono and Harjito, 2001). The Return on Assets (ROA) ratio indicates the returns generated from the assets utilized within the company (Kasmir, 2019).

$$ROA = \frac{Laba\ sebelum\ pajak}{Rata - rata\ total\ aset}$$

Solvency Ratio

The solvency ratio measures a company's capacity to meet its obligations and maintain its ability to pay off debts promptly (Fahmi, 2013). The debt-to-equity ratio compares a company's total debt to its equity (Kasmir, 2019).

$$DER = \frac{Debt}{Equity}$$

Financial Performance

Financial performance refers to the extent to which a company's management has successfully managed its assets effectively and efficiently over a specific period (Rudianto, 2013). Assessing financial performance offers several benefits: it helps manage operational activities effectively by maximizing employee motivation; it aids in decision-making regarding promotions, transfers, and terminations; it identifies employee skills that may require development or training; it establishes criteria for selecting and implementing employee training programs; it provides feedback to employees regarding managerial performance evaluations; and it serves as a basis for allocating rewards.

Previous Research

Year	Researcher	Result
2012	Nurshadrina Kartika Sari *Ekuitas: Jurnal Ekonomi dan Keuangan – Volume 17, Nomor 1, Maret 2013 : 71 - 88*	1. The determining factors of bank capital structure are liquidity, institutional ownership and company age, while profitability, business risk, dividends and managerial ownership are not determining factors of bank capital structure
2015	Hikmah Dwi Astuti *Jurnal Magister Manajemen, Vol.01, No.1, Januari 2015*	1. The average ROA of foreign banks is higher than the average ROA of national banks 2. The average BOPO of national

Year	Researcher	Result
		banks is higher than that of foreign banks
		3. The average CAR of foreign banks is higher than that of national banks
		4. The average LDR of foreign banks is higher than that of national banks
		5. The BOPO ratio of national banks is better than foreign banks. And for the CAR, ROA & LDR ratios, foreign banks show better performance than national banks
2018	Soelaeman Rasyid *Jurnal Ekonomi, Manajemen dan Perbankan, Vol. 4 No. 1 April 2018: 1-10*	LDR, ROA and NIM of national banks have higher than foreign banks, while the NPL, CAR and GCG of foreign bank group have higher values than national banks
2021	Nanin Diana Hediati, Nanu Hasanuh *COSTING: Journal of*	1. CAR has a significant positive effect on ROA of Bank BJB for the period 2011-

Year	Researcher	Result
	Economic, Business and Accounting *Volume 4 Nomor 2, Juni 2021*	2018 2. NPL has a significant positive effect on ROA of Bank BJB for the period 2011-2018 3. BOPO has a significant negative effect on ROA of Bank BJB for the period 2011-2018 4. CAR, NPL, and BOPO have simultaneous effect on ROA of Bank BJB for the period 2011-2018
2023	Rahayu Muthola'ah, Fista A Sujaya, Thomas Nadeak *Jurnal Mahasiswa Manajemen dan Akuntansi* *Vol 2. No 4. Maret 2023, Hal 836-850*	1. CAR (Capital Adequacy Ratio) has a negative but significant effect on Profitability (ROA) in banking companies listed on the Indonesia Stock Exchange in 2017-2021. 2. Non Performing Loan. (NPL) has no effect on Profitability (ROA) in banking companies listed on the Indonesia Stock Exchange in 2017-2021

Research Methods and Objects

Research Methods

The study employs a descriptive research method with a quantitative approach to describe current events using meaningful numerical data. The aim of this descriptive research is to clarify the situation being studied, supported by a literature review to enhance the researcher's analysis and conclusions. The research findings are derived from the calculation of indicators related to the research variables and are subsequently presented in written form by the researcher (Nana Sudjana, 1997).

Research Objects

The research objects consist of financial reports obtained directly from the websites of Bank Woori Saudara (https://www.bankwoorisaudara.com/), Bank Hana (https://www.hanabank.co.id/), Bank IBK (https://www.ibk.co.id/iview/03/CMIBMAN0000), Bank Shinhan (https://www.shinhan.co.id/), and Bank KB Bukopin (https://www.kbbank.co.id/) covering the period from the second quarter of 2019 to the third quarter of 2023.

Data Collection Methods

The sample utilized in this research consists of secondary data obtained from the quarterly publication reports of the banks. Secondary data refers to data that is not provided directly but is sourced from books, literature, journals, and other relevant supporting materials that enhance this research

Data Analysis Techniques

Arithmetic Mean

The mean represents the central characteristic or average position of a dataset. Several measures are included in the calculation of the mean (Harinaldi, 2005).

$$S_x = \sqrt{\frac{\sum_{i=1}^{n}(x_i - \mu_x)^2}{n}}$$

Variation Coefficient

The sample employed in this study consists of secondary data obtained from the banks' quarterly publication reports. Secondary data refers to information that is not provided directly but is sourced from various materials such as books, literature, journals, and other relevant supporting data that contribute to this research.

$$C_v = \frac{S_x}{\mu_x}$$

Correlation Coefficient Analysis

This research aims to examine the relationship between CAR and ROA, where CAR serves as the independent variable (X) and ROA as the dependent variable (Y). Correlation coefficient analysis is employed to assess both the direction and strength of the relationship between two or more variables. The direction can be either positive or negative, while the strength of the relationship is indicated by the magnitude of the correlation coefficient (Sugiyono, 2017). The analysis of the correlation coefficient is performed using the Pearson Product Moment calculation (Pearson Moment Correlation Analysis) (Sugiyono, 2017) as follows:

$$r_{xy} = \frac{n \sum_{i=1}^{n} x_i y_i - \sum_{i=1}^{n} x_i \sum_{i=1}^{n} y_i}{\sqrt{\{n \sum_{i=1}^{n} x_i^2 - (\sum_{i=1}^{n} x_i)^2\}\{n \sum_{i=1}^{n} y_i^2 - (\sum_{i=1}^{n} y_i)^2\}}}$$

Coefficient Interval	Correlation Coefficient
0,00 – 0,199	Very Low
0,20 – 0,399	Low
0,40 – 0,599	Moderate
0,60 – 0,799	High
0,60 – 0,799	Very High

(Sugiyono, 2017)

The (-) sign signifies an inverse relationship, indicating that when one variable increases, the other variable decreases. Conversely, the (+) sign denotes a direct relationship, meaning that if one variable increases, the other variable also increases.

Result And Discussion

Liqudity Ratio

Bank	Loan to Deposit Ratio		
	ean	Standard Deviation	Variation Coefficient
Bank Woori Saudara	47.08%	12.70%	0.08
Bank IBK	7.03%	10.21%	0.1052
Bank Bukopin	08.39%	15.80%	0.1458
Bank Hana	19.74%	8.41%	0.0702
Bank Shinhan	78.39%	45.58%	0.2555

Bank Woori Saudara recorded an average LDR ratio of 147.08% with a standard deviation of 12.70%, and its distribution was homogeneous. Bank IBK had an average LDR ratio of 97.03% with a standard deviation of 10.21%, also exhibiting a homogeneous distribution. Bank KB Bukopin's average LDR ratio was 108.39%, with a standard deviation of 15.80%, and its distribution was homogeneous. Bank Hana had an average LDR ratio of 119.74% with a standard deviation of 8.41%, demonstrating a homogeneous distribution as well.

Lastly, Bank Shinhan reported an average LDR ratio of 178.39% with a standard deviation of 45.58%, and its distribution was homogeneous.

Capital Adequacy Ratio

Bank	Capital Adequacy Ratio		
	mean	Standard Deviation	Variation Coefficient
Bank Woori Saudara	21.73%	2.24%	0.1032
Bank IBK	32.97%	6.65%	0.2016
Bank Bukopin	17.57%	7.16%	0.4075
Bank Hana	26.70%	2.15%	0.0806
Bank Shinhan	28.45%	2.56%	0.0899

Bank Woori Saudara recorded an average CAR ratio of 21.73% with a standard deviation of 2.24%, and the data distribution was homogeneous. Bank IBK had an average CAR ratio of 32.97% with a standard deviation of 6.65%, also showing a homogeneous distribution. Bank KB Bukopin reported an average CAR ratio of 17.57% with a standard deviation of 7.16%, with a homogeneous data distribution. Bank Hana had an average CAR ratio of 26.70% with a standard deviation of 2.15%, demonstrating a homogeneous distribution as well. Finally, Bank Shinhan recorded an average CAR ratio of 28.45% with a standard deviation of 2.56%, and its data distribution was homogeneous.

Profitability Ratio

Bank	Return on Asset Ratio		
	mean	Standard Deviation	Variation Coefficient
Bank Woori Saudara	2.12%	0.28%	0.1337
Bank IBK	-0.86%	2.78%	-3.2241
Bank Bukopin	-3.37%	3.76%	-1.1176
Bank Hana	1.41%	0.28%	0.2006
Bank Shinhan	1.13%	0.295	0.2605

Bank Woori Saudara recorded an average ROA ratio of 2.12% with a standard deviation of 0.28%, and the data distribution was homogeneous. Bank IBK had an average ROA ratio of -0.86% with a standard deviation of 2.78%, indicating a heterogeneous distribution. Bank KB Bukopin reported an average ROA ratio of -3.37% with a standard deviation of 3.76%, which also showed a heterogeneous distribution. Bank Hana had an average ROA ratio of 1.41% with a standard deviation of 0.28%, demonstrating a homogeneous

distribution. Finally, Bank Shinhan had an average ROA ratio of 1.13% with a standard deviation of 0.29%, with a homogeneous data distribution as well.

Solvency Ratio

Bank	Debt to Equity Ratio		
	mean	Standard Deviation	Variation Coefficient
Bank Woori Saudara	4.21	0.25	0.06
Bank IBK	4.11	0.73	0.18
Bank Bukopin	7.41	2.06	0.28
Bank Hana	3.52	0.37	0.11
Bank Shinhan	3.06	0.49	0.16

Bank Woori Saudara reported an average DER ratio of 4.21 with a standard deviation of 0.25 times, and the data distribution was homogeneous. Bank IBK had an average DER ratio of 4.11 times with a standard deviation of 0.73 times, indicating a heterogeneous distribution. Bank KB Bukopin showed an average DER ratio of 7.41 times with a standard deviation of 2.06 times, which also reflected a heterogeneous distribution. Bank Hana recorded an average DER ratio of 3.52 times with a standard deviation of 0.37 times, demonstrating a homogeneous distribution. Finally, Bank Shinhan had an average DER ratio of 3.06 times with a standard deviation of 0.49 times, with a homogeneous data distribution as well.

Influence of Capital Adequacy Ratio (CAR) on Return on Assets (ROA)

Bank	Correlation Coefficient	Correlation
Bank Woori Saudara	0.35	Low
Bank IBK	0.59	Moderate
Bank Bukopin	-0.66	High
Bank Hana	-0.65	High
Bank Shinhan	-0.55	Moderate

Based on the data analysis, CAR exhibited a positive but low effect on ROA for Bank Woori Saudara, while it had a positive and moderate effect on ROA for Bank IBK. For Bank Shinhan, CAR showed a negative and moderate effect on ROA, whereas CAR had a negative and significant effect on ROA for both Bank KB Bukopin and Bank KEB Hana. A positive effect of CAR indicates that an increase in CAR leads to an increase in Return on Assets (ROA), while a negative effect signifies that an increase in CAR results in a decrease in ROA. The effect of CAR on ROA varied among the banks, reflecting the different business models of each institution.

CONCLUSION

The liquidity ratio of the banks was above 92%. Bank Shinhan had the highest average LDR, while Bank IBK recorded the lowest. This suggests that the productive assets of the banks owned by Korean entities are financed not only through third-party funds but also through liabilities from other banks, loans received, or issued securities. Previous research indicates that the average LDR of foreign banks surpasses that of domestic banks (Hikmah Dwi Astuti, 2015). The Capital Adequacy Ratio (CAR) of the banks exceeded the minimum standards set by OJK. Bank IBK had the highest average CAR, while Bank KB Bukopin had the lowest. This demonstrates that the capital of the banks under Korean ownership is above the minimum capital requirement for banking operations. Previous studies have shown that the average CAR of foreign banks is higher than that of national banks (Hikmah Dwi Astuti, 2015).

The profitability ratio of the banks was primarily below 1.5%. Bank Woori Saudara had the highest average ROA, whereas Bank KB Bukopin recorded the lowest. This indicates that the risk appetite of the banks under Korean ownership leans toward low-risk, low-return assets. Past research has found that national banks typically have a higher ROA compared to foreign banks (Soelaeman Rasyid, 2018). The solvency ratio of the banks was mostly below 4.22 times. Bank KB Bukopin had the highest average DER, while Bank Shinhan had the lowest. This suggests that the capital of the banks owned by Korean entities is utilized more than their liabilities. Previous research indicates that banks with long operational histories tend to have established and substantial capital, enabling them to fulfill their primary functions of managing funds from the government, industry, and individuals (Bhaduri, 2002).

CAR exhibited a positive effect and a low to moderate correlation with ROA for Bank Woori Saudara and Bank IBK. Conversely, CAR had a negative effect and a strong correlation with ROA for Bank Hana, Bank Shinhan, and Bank KB Bukopin. The impact of CAR on ROA varied among the banks, reflecting the differences in their business models. Previous studies have shown mixed results regarding the relationship between CAR and ROA: some found a significant negative effect (Anindiansyah Gladis, 2020), while others reported a positive effect (Hediati and Hasanuh, 2021). Here's the list of references organized in alphabetical order based on the standard citation format:

SUGGESTION

For further researchers, the author suggests for expand analysis by using others ratio and it would be better to use comprehensive method.

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