SUMMARY

ADIL TOBING. National Banking Competitiveness and Performance Improvement through Good Corporate Governance Implementation. Under Direction of YANDRA ARKEMAN, BUNASOR SANIM, R. NUNUNG NURYARTONO.

Banking institutions are often highly leveraged (debt is much larger than equity); they are even less transparent than other industries. Efficiency is a going concern to the operation of national banks with a ratio of BOPO (Operating Expenses to Operating Income) which is still much higher than the regional average. Besides, moral hazard also gives effect to the increasingly vulnerable of national banks. Therefore, in order to improve the competitiveness of the national banking system, the government needs to develop a mechanism of banking supervision with a high concentration to control the operational activities of banking so they could be more efficient towards higher competitiveness and avoid practices that have the potential moral hazard, namely through the implementation of Good Corporate Governance.

Good Corporate Governance (GCG) is the concept of good governance practices in an institution in which there is the principle of transparency, accountability, responsibility, independence, and fairness that needs to be carried out by an institution.

This study aims to explore and analyze the implementation of GCG in state-owned banks and compare it with the private banks, then analyze and examine the role of corporate governance in the state-owned banks to their performance as well as making the comparison between the state-owned banks and the private banks. It also analyzes how the performance of the state-owned banks compared with the private banks will contribute to their competitiveness. In the end, this research is intended to design a conceptual model that can be applied to improve the competitiveness of the national banking system through the implementation of GCG.

The objects of the research are the government banks, namely Bank Mandiri, BRI, and BNI as well as private banks, namely the BCA and Bukopin. The research will focus on corporate governance organs, e.g. the Shareholders, the Board of Commissioners, the Board of Directors, Internal Audit, Head of Compliance, Corporate Governance Committee, Audit Committee, Head of Finance, Head of Human Resources, Remuneration Committee, Risk Management Committee, Nomination Committee, and the Workers Union in these banks.

Methodologies in collecting and analyzing were in two ways. Primary data were obtained by doing survey using questionnaire to GCG organ and conducting FGD using structured-question list. Secondary data were obtained from internal publication of company, literature study, and scientific journal related to the topic of the research as well as the result of previous studies. The secondary data per bank were obtained from respective banks financial publication, their website and the Central Bank data information sources, for the same period of time series 2007-2011 on the financial report of the bank.

Several statistical methods are used in this research, namely Kruskal Wallis, t-test and Mann Whitney to see significant differences between the state-owned and private banks, Spearman rho correlation to see the connection between GCG, the healthiness level, and the competitiveness of the five banks. Discriminant analysis is also used to
generate mathematical models of the independent variable to the dependent variable. The method of Interpretive Structural Modeling (ISM) and qualitative analysis are also added, equipped with a comprehensive literature review that the conceptual model is expected as an applied model.

The analysis using the Kruskal Wallis, t-test and Mann Whitney test showed that the implementation of GCG differs significantly between the state-owned banks and the private banks whereas Rentability of the state-owned banks is higher than the private banks, also Credit Risk and Operational Risk profiles of the state-owned banks are lower than the private banks. The GCG implementation in the state-owned banks is better than in the private banks. Based on the results of the ISM, the difference is related to the key principles in the implementation of good corporate governance, where the state-owned banks are with sub-key element of transparency whereas the private banks are with sub-key element of accountability.

The results of discriminant analysis showed that there are differences in the effect of GCG implementation on the health (performance) of the state-owned banks and private banks; in the state-owned banks the implementation significantly affects the strategic risk and capital adequacy while in the private banks it affects the market risk, currency risk and compliance risk. Discriminant analysis results also showed that there are differences in the implementation of good corporate governance which will directly affect the competitiveness of both state-owned banks and private banks; however, the only significant effect in the private banks is on productivity element, while in the state-owned banks is on all elements of competitiveness (efficiency, productivity, profitability, market valuation). In addition, there is no difference in the impact of the health level of a bank on its competitiveness between the state-owned banks and private banks except the influence of the capital to the market valuation, where the influence is not significant in the private banks.

The design using the ISM results in a variety of models for each bank in aggregate. Only Bank Mandiri, which strongly/clearly has a Corporate Governance Committee so in the context of the relation of good corporate governance implementation and competitiveness, Bank Mandiri is different compared to the other banks by stating that the actor of sub-key element is the good corporate governance committee. For Bank Mandiri, no problems were instrumental in the context of the implementation of GCG-Healthiness-Competitiveness. In the end, the overall results of the data processing has resulted a conceptual model of the relationships between GCG-Healthiness-Competitiveness.

**Keywords:** Competitiveness, Good Corporate Governance, GCG Organs, GCG Principles, Conceptual Model