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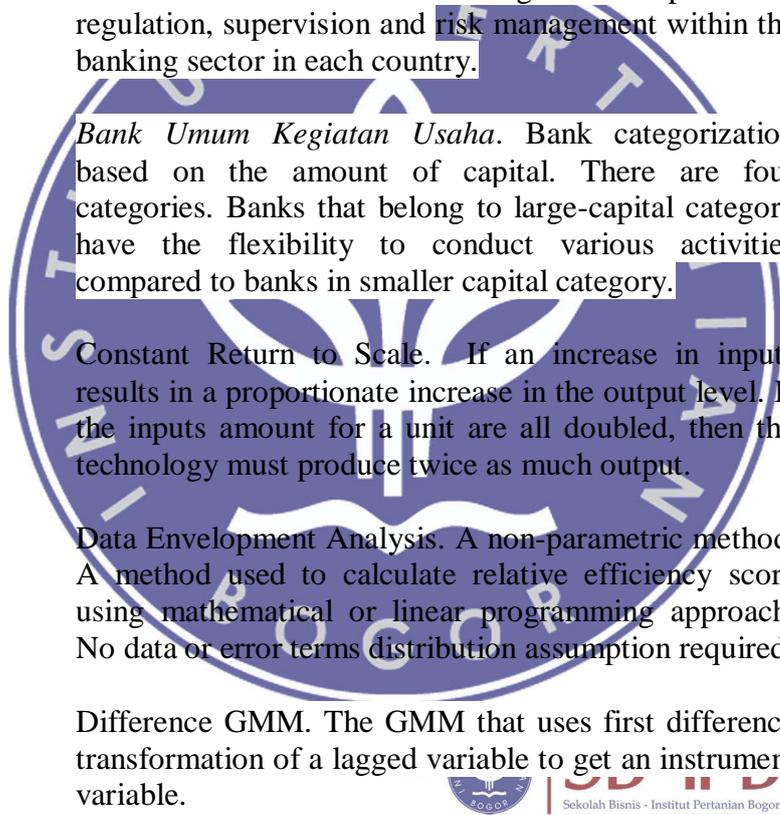
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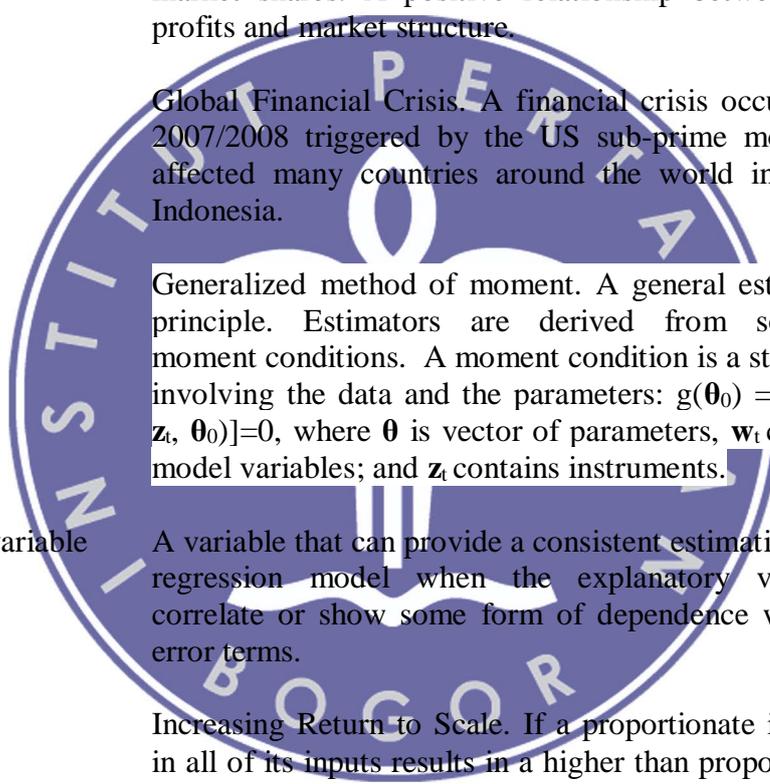


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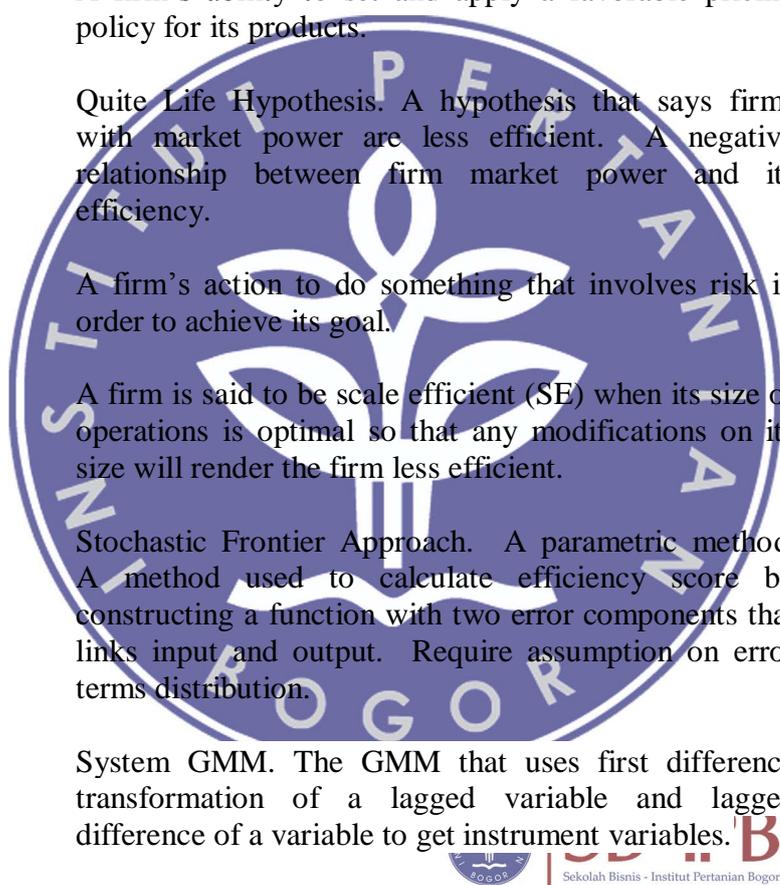
Term	Definition
AB test	Arellano-Bond test. A procedure to evaluate mis-specification of a dynamic panel data model estimated by generalized method of moment.
AFC	Asian Financial Crisis. A financial crisis occurred in 1997/ 1998 triggered by currency depreciation in some Asian countries, i.e. Indonesia, Thailand, South Korea, Malaysia, Philippines.
Basel III	Basel III is an international regulatory accord that introduced a set of reforms designed to improve the regulation, supervision and risk management within the banking sector in each country.
BUKU	<i>Bank Umum Kegiatan Usaha</i> . Bank categorization based on the amount of capital. There are four categories. Banks that belong to large-capital category have the flexibility to conduct various activities compared to banks in smaller capital category.
CRS	Constant Return to Scale. If an increase in inputs results in a proportionate increase in the output level. If the inputs amount for a unit are all doubled, then the technology must produce twice as much output.
DEA	Data Envelopment Analysis. A non-parametric method. A method used to calculate relative efficiency score using mathematical or linear programming approach. No data or error terms distribution assumption required.
DIF-GMM	Difference GMM. The GMM that uses first difference transformation of a lagged variable to get an instrument variable.
DMU	Decision Making Unit. An object to be measured its level of efficiency, such as a bank, a firm, government agency and others.
DRS	Decreasing Return to Scale. If a proportionate increase in all of its inputs results in a less than proportionate increase in its output.



Term	Definition
Dynamic model	A model that use lagged of dependent variable as one of its independent variables.
Efficiency score	A score calculated by DEA or SFA which reflect level of efficiency of a firm. Higher score means higher efficiency, otherwise higher inefficiency.
ESH	Efficient Structure Hypothesis. A hypothesis that says an industry's structure arises because of superior efficiency by some firms. Firms with low cost structure increase profits by reducing prices and expanding market shares. A positive relationship between firm profits and market structure.
GFC	Global Financial Crisis. A financial crisis occurred in 2007/2008 triggered by the US sub-prime mortgage, affected many countries around the world including Indonesia.
GMM	Generalized method of moment. A general estimation principle. Estimators are derived from so-called moment conditions. A moment condition is a statement involving the data and the parameters: $g(\theta_0) = E[f(w_t, z_t, \theta_0)] = 0$, where θ is vector of parameters, w_t contains model variables; and z_t contains instruments.
Instrument variable	A variable that can provide a consistent estimation for a regression model when the explanatory variables correlate or show some form of dependence with the error terms.
IRS	Increasing Return to Scale. If a proportionate increase in all of its inputs results in a higher than proportionate increase in its outputs.
NSFR	Net Stable Funding Ratio. A significant component of the Basel III reforms. Banks should maintain a stable funding profile in relation to their on- and off-balance sheet activities. NSFR is a ratio between available amount of stable funding (ASF) and required amount of stable funding (RSF).
OJK	<i>Otoritas Jasa Keuangan</i> . The Indonesian banking supervisor and regulator.



Term	Definition
PAM	Partial Adjustment Model. The partial adjustment model comprises two parts, a static part to describe how the desired level is determined and the dynamic partial adjustment process. The desired level is: $y^*_t = \theta_0 + \theta_1 x_t + \varepsilon_t$; while the dynamic partial adjustment process is $y_t - y_{t-1} = \lambda (y^*_t - y_{t-1})$.
Panel data	Also known as longitudinal data or cross-sectional time series data, is data that is derived from a number of observations over time on a number of units.
Pricing power	A firm's ability to set and apply a favorable pricing policy for its products.
QLH	Quite Life Hypothesis. A hypothesis that says firms with market power are less efficient. A negative relationship between firm market power and its efficiency.
Risk taking	A firm's action to do something that involves risk in order to achieve its goal.
Scale efficiency	A firm is said to be scale efficient (SE) when its size of operations is optimal so that any modifications on its size will render the firm less efficient.
SFA	Stochastic Frontier Approach. A parametric method. A method used to calculate efficiency score by constructing a function with two error components that links input and output. Require assumption on error terms distribution.
SYS-GMM	System GMM. The GMM that uses first difference transformation of a lagged variable and lagged difference of a variable to get instrument variables.
VRS	Variable Return to Scale. If an increase in inputs does not result in a proportional change in the outputs.
X-efficiency	Sometimes called technical efficiency. The ability of a firm to produce maximum output from its inputs.
Z-Score	A measure for risk of bankruptcy or insolvency. Higher Z-score means lower risk of bankruptcy or insolvency, otherwise higher risk.





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