

Study of Banks' Performance by Using RGEC (Risk Profile, Good Corporate Governance, Earnings, and Capital) Method

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Abstract

The study aims to examine the financial soundness between foreign exchange banks and non-foreign exchange banks by employing the RGEC (Risk Profile, Good Corporate Governance, Earnings, and Capital) method. The research population targeted is national private banks which are listed on the Indonesia Stock Exchange on 2010-2014 periods. 19 banks are selected as the sample and the period of observations is 5 years i.e. between 2010 and 2014 (95 observations). Data is collected from an annual report published in the central capital market reference at the Indonesia Stock Exchange. Mann-Whitney U test is used to analyze the data and test the proposed hypothesis. This study found no statistical financial soundness differences between the foreign exchange banks and non-foreign exchange banks.

Keywords: financial soundness, risk profile, good corporate governance, earnings, capital.

Introduction

The financial market is defined as a system which brings economic actors together that need funds and has overmuch sources (Dincer et al, 2011). Lasta et al., (2014) argue that banks' financial condition affected by the public trust, where the management should be able to keep the costumers' trust. In Indonesia, the 1997 and 2008 global crisis have an impact on public trust and ultimately affect the Indonesian economy conditions (Haryanto & Hanna, 2014). Bank Indonesia Circular Letter No.13/24/DPNP about the rating of the commercial banks in 2011 mentioned that the experience of the global financial crisis pushed the need to improve the effectiveness of risk management and good corporate governance. Hence, a new banks' evaluation method has been introduced in 2011 namely, the RGEC (Risk Profile, Good Corporate Governance, Earnings, Capital), replacing the CAMEL (Capital, Asset Quality, Management, Earnings, Liquidity) that it couldn't provide a comprehensive financial picture of the banks (Wirnkar & Tanko, 2008). The core of the RGEC method is to improve the effectiveness of risk management and good corporate governance, similar to James and Joseph (2015) study regarding the mechanisms of good corporate governance relations with the bank's performance.

Foreign exchange bank is a bank that can execute foreign countries or foreign currencies transactions (Kashmir, 2011: 39). Thus, these banks can collect and distribute funds easier either from outside or inside the country. As the trade-off, the bank, however, is exposed to a higher foreign currency risk (Hayati, 2013). The studies that compare foreign and non-foreign banks are still limited, particularly

RGEC-method based study. However, Jayusman (2013) demonstrated no difference of financial performance between foreign and non- foreign exchange banks. Meanwhile, Putri and Damayanthi (2013) compare the soundness levels between large banks and small banks by using the RGEC method and found no significant statistical difference among the banks. Furthermore, Dewi (2015) compared financial performance between foreign and non-foreign exchange banks based RGEC method, where it shows that Bank International Indonesia (a foreign exchange banks) have a better soundness level than Mayora Bank (a non-foreign exchange banks). Due to limited studies and inconsistent results, this study is aimed to re-compares the performance of the banks by employing the RGEC method. In addition, a comparative analysis of banks performance was conducted by Daly and Zhang (2014). The study results showed that in general, the local banks have poorer performance than the foreign banks.

In this study, 19 banks were taken as samples. The studied banks are listed in Indonesian stock exchange from the year 2010 to 2014. Next, section 2 discusses the literature review; Section 3 presents the research method; Section 4 provided the results and discussion and Section 5 is the conclusion

Literature Review

Bank Performance and Risk Profile

Act No. 10 of 1998 about banks Article 3 states that the function banks is to collect funds and then distribute the funds to the community. Latumaerissa (2011: 135-136) revealed that in addition to the basic functions of commercial banks as intermediary institutions, commercial banks also have a function as an agent of the trust, an agent of development, and an agent of service. Bank Indonesia Regulation No.13/1/PBI/2011 states that the health of banks is the result of banks assessment of the condition conducted on the risk and performance of the banks.

Table 1. Composite Rank of Bank Soundness

| Rank | Explanation |
|-------------|--------------------|
| 1 | Very Healthy |
| 2 | Healthy |
| 3 | Fairly Healthy |
| 4 | less Healthy |
| 5 | not Healthy |

Source: Bank Indonesia Circular Letter No.13/24/DPNP in 2011

Assessment of the risk profile is an assessment of the inherent risk and quality of risk management in the operational activities of the banks. The risks that must be assessed by the bank consists of eight (8) types of risk are a credit risk, market risk, liquidity risk, operational risk, legal risk, strategic risk, compliance risk, reputation risk.

Table 2. Composite Rank of the Risk Profile

| Rank | Explanation |
|-------------|--------------------|
| 1 | Low |
| 2 | Low to Moderate |
| 3 | Moderate |
| 4 | Moderate to High |
| 5 | High |

Source: Bank Indonesia Circular Letter No.13/24/DPNP in 2011

Good corporate governance principles and focused assessment of the implementation of corporate governance principles guided by the provisions of Bank Indonesia on the

Implementation of Good Corporate Governance for Commercial Banks with due regard to the characteristics and complexity of the bank.

Table 3. Composite Rank of Good Corporate Governance

| Rank | Explanation |
|------|-------------|
| 1 | Very Good |
| 2 | Good |
| 3 | Quite Good |
| 4 | Poorly |
| 5 | Not Good |

Source: Bank Indonesia Circular Letter No.13/24/DPNP in 2011

Earnings

Assessment earnings factor include an evaluation of the performance of profitability, the sources of profitability, sustainability (sustainability) profitability, and profitability management. The assessment was conducted by considering the levels, trends, structure, and stability of bank profitability and performance comparisons with the performance of a peer group of banks through analysis of quantitative and qualitative aspects.

Table 4. Composite Rank of Earnings

| Rank | Explanation | Criteria |
|------|----------------|--------------------------------|
| 1 | Very Healthy | ROA more than 2% |
| 2 | Healthy | ROA ranged from 1.26% to 2% |
| 3 | Fairly Healthy | ROA ranged from 0.51% to 1.25% |
| 4 | Less Healthy | ROA ranged from 0% to 0.5% |
| 5 | Not Healthy | Negative ROA, ROA below 0% |

Source: Assessment Codification of the Soundness of Banks by Bank Indonesia in 2012

Capital

Assessments of capital factors include the evaluation of the adequacy of capital and capital adequacy management. Banks are required to refer to the provisions of Bank Indonesia regulating the Minimum Capital Requirement for Commercial Banks in the calculation of capital.

Table 5. Composite Rank of Capital

| Rank | Explanation | Criteria |
|------|----------------|----------------|
| 1 | Very Healthy | CAR > 12% |
| 2 | Healthy | 9% < CAR ≤ 12% |
| 3 | Fairly Healthy | 8% < CAR ≤ 9% |
| 4 | Unwell | 6% < CAR ≤ 8% |
| 5 | Not Healthy | < 6 % |

Source: Assessment Codification of the Soundness of Banks by Bank Indonesia in 2012

In terms of risk profile, foreign exchange banks have a more complex risk compared to non-foreign exchange banks for the bank's activities related to foreign currency exchange. Foreign exchange rates are always changing make foreign banks more risky than the non-foreign exchange bank. External factors such as the impact of economic conditions, changes in provisions laid, and market competition of the exchange rate exposure should continue to be considered (Rivai et al, 2013: 575).

Assessment of GCG implementation at the bank refers to the procedure of good corporate governance ratings issued by Bank Indonesia. Companies that implement good corporate governance expected to have a good performance. Based on previous research, as practiced by Jayusman (2013) showed that the performance of foreign exchange banks and non-foreign exchange banks was not a significant difference, but it does mean that foreign exchange banks do not perform optimally because non-foreign exchange banks are able to match the performance of foreign banks, considering that foreign exchange banks have a feature which is more than the non-foreign exchange bank.

Foreign exchange banks have a broader scope than the non-foreign exchange banks, because of foreign exchange banks have been authorized to execute cross-border transactions, whereas non-foreign exchange banks were limited to only the Indonesian state. As research conducted by Hayati (2013), which measures the profitability by using return on assets (ROA), found that ROA of foreign exchange banks is better than ROA of non-foreign exchange banks.

From previous research, as practiced by Jayusman (2013), indicates that the performance of foreign exchange banks and non-foreign exchange bank has no significant difference, but it does mean that foreign exchange banks do not perform optimally. Foreign exchange banks are expected to perform better than the non-foreign exchange bank. Overall, foreign exchange banks are expected to have a better level of performance or a better health than the non-foreign exchange banks because of foreign exchange banks have earned special privileges of Bank Indonesia than non-foreign exchange banks. As research conducted by the Dewi (2015), foreign banks have a better level of health than the non-bank foreign exchange visits of all components RGEC.

Based on the framework that has been described, it can be formulated as the following hypotheses:

- H1: There is a statistical difference in the soundness of banks between foreign exchange and non-foreign exchange in National Private Banks of Risk Profile.
- H2: There is a statistical difference in the soundness of banks between foreign exchange and non-foreign exchange in National Private Banks of Good Corporate Governance.
- H3: There is a statistical difference in the soundness of banks between foreign exchange non-foreign exchanges in National Private Banks of Earnings.
- H4: There is a statistical difference in the soundness of banks between foreign exchange and non-foreign exchange in National Private Banks of Capital.
- H5: There is a statistical difference in the soundness of banks between foreign exchange and non-foreign exchange in National Private Banks of all RGEC's components.

Research Method

This study aimed to test the measure and compare the financial soundness of Foreign Exchange and non-Foreign Exchange Banks in Indonesia by using RGEC methods. The unit of analysis in this study is Foreign Exchange banks and non-Foreign Exchange banks privately owned. The data was collected from the annual report of the National Private Banks that published on the website idx.co.id.

The population in this study is the national private commercial bank listed on the Indonesia Stock Exchange in 2010-2014. Of the entire population of samples taken by purposive sampling so that the sampled banks is 19 banks comprising 16 foreign exchange banks and 3 non-foreign exchange banks. Following are the sample criteria:

Table 6. Sample Selection Process

| Sample Criteria | The Number of Banks |
|---|---------------------|
| National Private Banks were successively listed on the Indonesia Stock Exchange from 2010-2014. | 25 |
| National Private Banks which do not publish an annual report of the year 2010-2014 on the site idx.co.id | (2) |
| National Private Banks that does not include rating risk profile (risk profile) based self-assessment that has been carried out during 2010-2014. | (3) |
| National Private Banks that does not include ratings of Good Corporate Governance is based on self-assessment that has been carried out during 2010-2014. | (1) |
| A total sample of banks | 19 |
| The study period | 5 years |
| Total observations | 95 |

Based on Table 6 national private commercial bank listed on the Indonesia Stock Exchange that meets the criteria is 19 banks, so the observation of this study for 5 years was 95 observation.

Data Analysis

The method used in this study is non-parametric statistical analysis i.e. the Mann-Whitney U Test. Because the two samples used unrelated (independent), the Mann-Whitney analysis was used to test the hypothesis that differences in the soundness levels with the significant level of 95% or $\alpha = 0:05$. If the test results Mann-Whitney U test indicate a level of significance below 0.05, then variables are different on average and H1 or H-alternative is acceptable. The analysis is performed using the SPSS (Statistical Product and Service Solution) version 20.

$$U = n_1 n_2 \frac{n_2(n_2 + 1)}{2} - \sum_{i=n_1+1}^{n_2} R_i \quad (1)$$

Explanation:

U = value of Mann Whitney U Test

n_1 = sample 1

n_2 = sample 2

R_i = Ranking sample size

Criteria for acceptance and rejection of the hypothesis was:

If t tested \geq t table or a p-value < 0.05 , then H_0 rejected and H_a accepted.

If t tested \leq t table or a p-value > 0.05 , then H_0 is accepted and H_a rejected.

Results and Discussion

Descriptive Statistic of Risk Profile

Description of risk profile ranking in foreign exchange and non-foreign exchange banks can be seen in Table 7.

Table 7. Descriptive Statistic of Risk Profile

| | | | Types of Banks | | |
|--------------|-------------------------|-------------------------|-------------------------------|-----------------------------------|--------------|
| | | | Foreign Exchange Banks | Non-foreign Exchange Banks | Total |
| Risk Profile | Low | Count | 23 | 8 | 31 |
| | | % within Risk Profile | 74.2% | 25.8% | 100.0% |
| | | % within Types of Banks | 28.8% | 53.3% | 32.6% |
| | Low to Moderate | Count | 50 | 6 | 56 |
| | | % within Risk Profile | 89.3% | 10.7% | 100.0% |
| | | % within Types of Banks | 62.5% | 40.0% | 58.9% |
| | Moderate | Count | 7 | 1 | 8 |
| | | % within Risk Profile | 87.5% | 12.5% | 100.0% |
| | | % within Types of Banks | 8.8% | 6.7% | 8.4% |
| Total | Count | 80 | 15 | 95 | |
| | % within Risk Profile | 84.2% | 15.8% | 100% | |
| | % within Types of Banks | 100% | 100.0% | 100% | |

Table 7 describes that risk profile of foreign exchange banks gets ranked "low" at 28.8%, ranked "low to moderate" amounted to 62.5%, and ranked "moderate" 8.8%. Risk Profile of Non- foreign exchange bank get ranked "low" at 53.3%, ranked "low to moderate" amounted to 40.0%, and ranked "moderate" 6.7%. Overall Risk Profile of the National Private Banks ranked "low" at 32.6%, ranked "low to moderate" amounted to 58.9%, and ranked "moderate" by 8.4%.

Descriptive Statistic of Good Corporate Governance

Description of good corporate governance ranking in foreign exchange and non-foreign exchange banks can be seen in Table 8.

Table 8. Descriptive Statistic of Good Corporate Governance

| | | | Types of Banks | | |
|---------------------------|-------------------------|-------------------------|-------------------------------|-----------------------------------|--------------|
| | | | Foreign Exchange Banks | Non-foreign Exchange Banks | Total |
| Good Corporate Governance | Very Good | Count | 18 | 2 | 20 |
| | | % within GCG | 90.0% | 10.0% | 100.0% |
| | | % within Types of Banks | 22.5% | 13.3% | 21.1% |
| | Good | Count | 54 | 13 | 67 |
| | | % within GCG | 80.6% | 19.4% | 100.0% |
| | | % within Types of Banks | 67.5% | 86.7% | 70.5% |
| | Quite Good | Count | 5 | 0 | 5 |
| | | % within GCG | 100.0% | .0% | 100.0% |
| | | % within Types of Banks | 6.3% | .0% | 5.3% |
| | Not Good | Count | 3 | 0 | 3 |
| | | % within GCG | 100.0% | .0% | 100.0% |
| | | % within Types of Banks | 3.8% | .0% | 3.2% |
| Total | Count | 80 | 15 | 95 | |
| | % within GCG | 84.2% | 15.8% | 100.0% | |
| | % within Types of Banks | 100.0% | 100.0% | 100.0% | |

Table 8 shows that good corporate governance of foreign exchange get ranked "very good" at 22.5%, ranked "good" at 67.5%, ranked "quite good" at 6.3%, and ranked "not good" at 3.8%. Good corporate governance of non-foreign exchange banks get ranked "very good" at 13.3% and ranked "good" at 86.7%. Overall good corporate

governance of the National Private Banks get ranked "very good" at 21.1%, ranked "good" at 70.5%, ranked "quite good" at 5.3%, and ranked "not good" at 3.2%.

Descriptive Statistic of Earnings

Description of earnings ranking in foreign exchange and non-foreign exchange banks can be seen in Table 9.

Table 9. Descriptive Statistic of Earnings

| | | | Types of Banks | | Total |
|-------------|-------------------------|-------------------------|------------------------|----------------------------|--------|
| | | | Foreign Exchange Banks | Non-foreign Exchange Banks | |
| Earnings | Very Healthy | Count | 28 | 7 | 35 |
| | | % within Earnings | 80.0% | 20.0% | 100.0% |
| | | % within Types of Banks | 35.0% | 46.7% | 36.8% |
| | Healthy | Count | 33 | 2 | 35 |
| | | % within Earnings | 94.3% | 5.7% | 100.0% |
| | | % within Types of Banks | 41.3% | 13.3% | 36.8% |
| | Fairly Healthy | Count | 17 | 2 | 19 |
| | | % within Earnings | 89.5% | 10.5% | 100.0% |
| | | % within Types of Banks | 21.3% | 13.3% | 20.0% |
| | Less Healthy | Count | 0 | 1 | 1 |
| | | % within Earnings | .0% | 100.0% | 100.0% |
| | | % within Types of Banks | .0% | 6.7% | 1.1% |
| Not Healthy | Count | 2 | 3 | 5 | |
| | % within Earnings | 40.0% | 60.0% | 100.0% | |
| | % within Types of Banks | 2.5% | 20.0% | 5.3% | |
| Total | Count | 80 | 15 | 95 | |
| | % within Earnings | 84.2% | 15.8% | 100.0% | |
| | % within Types of Banks | 100.0% | 100.0% | 100.0% | |

Table 9 shows that earnings of foreign exchange banks get ranked "very healthy" at 35.0%, ranked "healthy" at 41.3%, ranked "fairly healthy" at 21.3%, and ranked "not healthy" at 2.5%. Earnings of non-foreign exchange banks get ranked "very healthy" at 46.7%, ranking the "healthy" of 13.3%, a rating of "fairly healthy" 13.3%, ranked "unwell" at 6.7%, and ranked "not healthy" at 20%. Overall earnings of the National Private Banks get ranked "very healthy" at 36.8%, ranked "healthy" at 36.8%, ranked "fairly healthy" 20%, ranked "unwell" by 1.1% and ranked "not healthy" at 5.3%.

Descriptive Statistic of Capital

Description of capital ranking in foreign exchange and non-foreign exchange banks can be seen in Table 10.

Table 10. Descriptive Statistic of Capital

| | | | Types of Banks | | Total |
|---------|--------------|-------------------------|------------------------|----------------------------|--------|
| | | | Foreign Exchange Banks | Non-foreign Exchange Banks | |
| Capital | Very Healthy | Count | 75 | 13 | 88 |
| | | % within Capital | 85.2% | 14.8% | 100.0% |
| | | % within Types of Banks | 93.8% | 86.7% | 92.6% |
| | Healthy | Count | 4 | 2 | 6 |
| | | % within Capital | 66.7% | 33.3% | 100.0% |
| | | % within Types of Banks | 5.0% | 13.3% | 6.3% |

| | | | | |
|-------------------|-------------------------|--------|--------|--------|
| Fairly Healthy | Count | 1 | 0 | 1 |
| | % within Capital | 100.0% | .0% | 100.0% |
| | % within Types of Banks | 1.3% | .0% | 1.1% |
| Total | Count | 80 | 15 | 95 |
| | % within Capital | 84.2% | 15.8% | 100.0% |
| | % within Types of Banks | 100.0% | 100.0% | 100.0% |

Table 10 shows that the capital of foreign exchange banks gets ranked "very healthy" at 93.8%, ranked "healthy" at 5.0%, and ranked "fairly healthy" at 1.3%. The capital of non-foreign exchange banks get "very healthy" at 86.7%, and ranked "healthy" at 13.3%. The overall capital of the National Private Banks get ranked "very healthy" at 92.6%, ranked "healthy" at 6.3%, and ranked "fairly healthy" at 1.1%.

Results of Mann-Whitney U Test against Risk Profile

Results of Mann-Whitney U Test toward ranked risk profile of foreign exchange banks and non-foreign exchange banks can be seen in Table 11.

Table 11. Results of Mann-Whitney U Test toward Risk Profile

| | Risk Profile |
|------------------------|--------------|
| Mann-Whitney U | 456,500 |
| Wilcoxon W | 576,500 |
| Z | -1,680 |
| Asymp. Sig. (2-tailed) | ,093 |

Table 11 shows the value of Asymp.Sig (2-tailed) of 0.093 greater than 0.05. Acquisition of significant value amounted to 0.093 greater than 0.05 indicates that H_{01} is accepted, while H_{a1} rejected. Thus, there is no difference between the soundness of banks between foreign exchange and non-foreign exchange in National Private Banks in terms of Risk Profile.

Results of Mann-Whitney U Test against Good Corporate Governance

Results of Mann-Whitney U Test against ranked good corporate governance of foreign exchange banks and non-foreign exchange banks can be seen in Table 12.

Table 12. Results of Mann-Whitney U Test toward Good Corporate Governance

| | Good Corporate Governance |
|------------------------|------------------------------|
| Mann-Whitney U | 597,000 |
| Wilcoxon W | 3837,000 |
| Z | -,038 |
| Asymp. Sig. (2-tailed) | ,969 |

Table 12 shows the value Asymp.Sig (2-tailed) of 0.969 greater than 0.05. Acquisition of significant value amounted to 0.969 greater than 0.05 indicates that H_{02} is accepted, while H_{a2} rejected. Thus, there is no difference between the soundness of banks between foreign exchange banks and non-foreign exchange banks in National Private Banks (BUSN) in terms of Good Corporate Governance.

Results of Mann-Whitney U Test against Earnings

Results of Mann-Whitney U Test against ranked earnings of foreign exchange banks and non-foreign exchange banks can be seen in Table 13.

Table 13. Results of Mann-Whitney U Test toward Earnings

| | Earnings |
|------------------------|----------|
| Mann-Whitney U | 559,000 |
| Wilcoxon W | 3799,000 |
| Z | -,443 |
| Asymp. Sig. (2-tailed) | ,658 |

Table 13 shows the value of Asymp.Sig (2-tailed) of 0.658 greater than 0.05. Acquisition of significant value amounted to 0.658 greater than 0.05 indicates that H_{03} is accepted, while H_{a3} rejected. Thus, there is no difference between the soundness of banks between foreign exchange banks and non-foreign exchange banks in terms of Earnings.

Results of Mann-Whitney U Test against Capital

Results of Mann-Whitney U Test against the ranked capital of foreign exchange banks and non-foreign exchange banks can be seen in Table 14.

Table 14. Results of Mann-Whitney U Test toward Capital

| | Capital |
|------------------------|----------|
| Mann-Whitney U | 558,500 |
| Wilcoxon W | 3798,500 |
| Z | -,936 |
| Asymp. Sig. (2-tailed) | ,349 |

Table 14 shows the value Asymp.Sig (2-tailed) of 0.349 greater than 0.05. Acquisition of significant value amounted to 0.349 greater than 0.05 indicates that H_{04} is accepted, while H_{a4} rejected. Thus, there is no difference between the soundness of banks between foreign exchange banks and non-foreign exchange banks in National Private Banks (BUSN) in terms of Capital.

Results of Mann-Whitney U Test against the Soundness of Banks

Results of Mann-Whitney U Test against ranked the soundness of banks of foreign exchange banks and non-foreign exchange banks can be seen in Table 15.

Table 15. Results of Mann-Whitney U Test toward the Soundness of Banks

| | The Soundness of Banks |
|------------------------|------------------------|
| Mann-Whitney U | 594,000 |
| Wilcoxon W | 3834,000 |
| Z | -,063 |
| Asymp. Sig. (2-tailed) | ,950 |

Table 15 shows the value Asymp.Sig (2-tailed) of 0.950 greater than 0.05. Acquisition of significant value amounted to 0.950 greater than 0.05 indicates that H_{05} is accepted, while H_{a5} rejected. Thus, there is no difference between the soundness of banks between foreign exchange banks and non-foreign exchange banks in National Private Banks (BUSN) in terms of all RGECS components.

Discussion

The description of study findings seems to indicate that generally of foreign exchange banks have higher risk profile (low to moderate) than their counterparts (low). On the contrary, the foreign exchange banks perform better risk management. However, Mann Whitney test uncovered insignificant different between both bank groups. This finding supports Jayusman (2013) research, which shows that in terms of risk profile that is calculated by LDR (Loan to Deposit Ratio) there is no difference between foreign exchange banks and non-foreign exchange banks. Hayati (2013) also found similar

results indicating that in terms of risk profile that is calculated by LDR there are no significant differences between foreign exchange banks and non-foreign exchange banks.

It has been shown that in general descriptive good corporate governance ratings of foreign exchange banks is "good", as well as non-foreign exchange banks, were also rated "good". This indicates that both foreign exchange banks and non-foreign exchange banks have implemented the principles of good corporate governance adequately. The results of this study are consistent with research conducted by Jayusman (2013) which shows that there is no difference in performance between foreign exchange banks and non-foreign exchange banks.

The good corporate governance both indicates that the bank has a good performance (Widhianningrum and Amah, 2012). Mohammed and Fatimoh (2012) found that the implementation of good corporate governance to be important because of the complexity and the changes that happen in the banking sector. Peni and Vahamaa (2012) found that banks that have good corporate governance mechanisms are strong have a good performance. Meanwhile, James and Joseph (2015) also found that good corporate governance mechanisms have a very significant influence on the performance of banks in Malaysia.

This study also found that in general descriptive earnings ratings of foreign exchange banks is "healthy", while the non-foreign exchange banks were rated "very healthy". Although there are differences, by Mann Whitney test the difference was not significant. This study is consistent with Jayusman (2013) research, which showed that there is no difference between the performance of the foreign exchange bank and non-foreign exchange banks, but it indicates that foreign exchange banks have less than optimal performance, due to non-foreign exchange banks almost able to offset the performance of foreign banks. Hayati (2013) also found the same thing, variable earnings as measured by ROA (Return on Assets) and ROE (Return on Equity) showed that there is no significant difference between the foreign exchange bank and non-foreign exchange banks.

Table 10 previously has shown that in general descriptive capital ratings of foreign exchange banks and non-foreign exchange banks are "very healthy". This indicates that both capital of foreign exchange banks and non-foreign exchange banks has quality and capital adequacy was very adequate, which is accompanied by a very strong capital management in accordance with the characteristics, business scale, and complexity of the bank. This study is consistent with research conducted by the Dewi (2015). The results showed that the capital component is calculated by the ratio of CAR (Capital Adequacy Ratio) shows the results with a rating of 1 is very adequate for foreign exchange banks and non-foreign exchange banks.

Table 15 shows the value $Asymp.Sig$ (2-tailed) of 0.950 greater than 0.05. Acquisition of significant value amounted to 0.950 greater than 0.05 indicates that H_{05} is accepted, while H_{a5} rejected. Thus, the difference in the soundness of banks between foreign exchange banks and non-foreign exchange banks in National Private Banks (BUSN) in terms of all RGEC's components. This suggests that the foreign exchange banks and non-foreign exchange banks have ranked the same level of health.

Foreign exchange banks during the period 2010-2014, in general, get risk profile rating is "low to moderate", good corporate governance ratings are "good" earnings rating is "healthy" and capital rating is "very healthy". This suggests that any components of RGEC, foreign exchange banks generally get to the second rank. Therefore, foreign exchange banks soundness rating is "healthy". Foreign exchange

bank has a higher level of risk compared with non-foreign exchange banks, but foreign exchange bank is able to maintain the level of good health.

Non-foreign exchange banks during the period 2010-2014, in general, get risk profile rating is "low", good corporate governance ratings are "good", earnings rating is "very healthy" and capital rating is "very healthy". This suggests that any components of RGEC, non-foreign exchange banks generally ranked first. Therefore, soundness ratings non-foreign exchange banks are "very healthy". Non-foreign exchange banks, despite not having the same ability with foreign exchange banks in conducting its operational activities, but non-foreign exchange banks have a better level of the soundness than foreign exchange banks. Despite the descriptive statistics apparent difference of the soundness of foreign exchange banks and non-foreign exchange banks, but according to the Mann Whitney test, the difference was not significant.

Conclusions

Based on the analysis and discussion, it can be concluded that the financial soundness of foreign exchange banks and non-foreign exchange banks in Indonesia between 2010 and 2014 is not significantly statistical difference. These two group of banks share similar risk profile, good corporate governance level, earnings, capital, and of all components RGEC.

This study has limitations in some cases, from 25 (twenty-five) population of banks listed on the Stock Exchange in 2010 and 2014 there were six banks that are not included in the sample because it does not meet the criteria so that the opportunities to obtain richer data becomes smaller. This study is also limited to companies with a relatively short observation that during the five years from 2010-2014 with the limited sample is 19 companies. This allows the research results cannot be generalized.

Further research is expected to expand the object to be examined so that the conclusions have the broader coverage and more accurate. Future studies are also expected to use a longer observation period, so as to obtain the actual conditions and also use of the most recent period in accordance with the development of the year.

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