

DO BASEL II ACCORD CLASSIFICATION INLINE WITH BANK PERFORMANCE?

Putu Anom Mahadwartha

Department of Management, Faculty of Business and Economics, Universitas Surabaya
email: anomania@yahoo.com

Endang Ernawati

Department of Management, Faculty of Business and Economics, Universitas Surabaya email:
endangernawati@yahoo.com

Bertha Silvia Sutejo

Department of Management, Faculty of Business and Economics, Universitas Surabaya
email: bertha7381@yahoo.com

Abstract

The effect of bank's obedience to bank's performance is an interesting topic that useful to regulator, investors, shareholders, depositors, and debtholders. This research argues that obedience categorization will differentiate their financial performance. Main purposes of this research is to investigate whether research categorization of bank's obedience will leads to their financial performance. The other purpose is to test the use of CAMEL as bank's roles that state as systemic risk regulation, in ensure their roles support the goals of each profit oriented firms or banks to generate profits. This research limits its analysis only for banks with their roles that support the need for stabilize systemic risk. Samples are banks that listed on Bursa Efek Indonesia (Indonesian Capital Market) from 2000 until 2010. This research uses Bank Indonesia data especially news, and market report on Basel II implementation. There are two categorization of variable which are dependent and independent variables. The dependent variable is financial performance that proxy with accumulated return for a year using monthly data (MVE). This research also uses two measurement of Basel II Accord especially Pillar 1 of Basel II Accord. Indonesian central banks implemented Basel II Accord to all banks that operate in Indonesia territory. This research finds that the implementation of Basel II on banks, will force banks to increase their credit worthiness not only their credit quality. Banks will have to decrease their risk which means lower return as well. The weight risk factor on creditor creditworthiness will classify in keen category therefore banks will have difficulties in categorized their creditor. Trade finance between exporter and importer also become higher especially on forfaiting scheme. Forfaiting firms will have to charge higher fees and banks will have lowered their return. However, their overall risk will be much lower on such conditions.

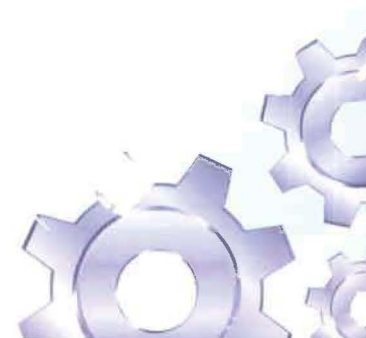
Keywords: Bank's Obidience, Financial Performance, CAMEL, BASEL II



PROCEEDING
THE 9TH INTERNATIONAL ANNUAL SYMPOSIUM ON MANAGEMENT

**INNOVATION AND BEST PRACTICES
IN BUSINESS MANAGEMENT:
"HOW TO ENHANCE
ORGANIZATIONAL
EFFECTIVENESS ON FREE
TRADE AREA IN ASIA?"**

Universitas Surabaya, March 17th 2012



PROCEEDING

THE 9th INTERNATIONAL ANNUAL SYMPOSIUM ON
MANAGEMENT

INNOVATION AND BEST PRACTICES IN BUSINESS MANAGEMENT: “HOW TO ENHANCE ORGANIZATIONAL EFFECTIVENESS ON FREE TRADE AREA IN ASIA?”

Universitas Surabaya, March 17th, 2012



Member of :  AACSB
INTERNATIONAL

Department of Management
Faculty of Business and Economics
Universitas Surabaya

PROCEEDING

THE 9TH UBAYA International Annual Symposium on Management

Innovation And Best Practices In Business Management: “How To Enhance Organizational Effectiveness On Free Trade Area In Asia?”

Editors:

Putu Anom Mahadwartha, Dr.

Reviewers:

Iin Mayasari, Dr. (Universitas Paramadina)

Hermeindito Kaaro, Dr. (Universitas Katolik Widya Mandala, Surabaya)

Ning Gao, Ph.D. (Manchester Business School)

Yuanto Kusnadi, Dr. (City of Hongkong University, Hongkong)

Candra S. Chayadi, Ph.D. (School of Business, Eastern Illinois University)

Wahyu Sudarmono, Dr. (Research analyst, The World Bank, Jakarta)

Published by:

Departement of Management, Faculty of Business and Economics

Universitas Surabaya

Jl. Raya Kalirungkut

Surabaya, Indonesia 60293.

Phone: +62-31-2981139

Fax: +62-31-2981239

ISBN: 978-979-99365-6-1

Copyright © 2012 Departement of Management, Faculty of Business and Economics Universitas Surabaya

FOREWORD

This Proceeding is a compilation of papers submitted for **The 9th International Annual Symposium on Management** conducted by the Department of Management, Faculty of Business and Economics, Universitas Surabaya. This year's theme of the symposium is Innovation And Best Practices In Business Management: "How To Enhance Organizational Effectiveness On Free Trade Area In Asia?"

In this opportunity, we would like to share our grateful to the institution (national and abroad) who send their lecturer or researcher to our symposium.

This symposium is to provide a sharing forum for researchers, academics, and practitioners engaged in basic and applied research in Free Trade Area Agreement in Asia opens up opportunities while increasing competition among enterprises. Therefore, every business entity must have a certain comparative advantage so that it can run a strategic role for competition in the business world. This condition requires every business entity in Asia to accelerate growth and changes, and to develop capacity to be able to survive. In order to achieve that acceleration, those business entities must have much innovation and the best business practice that can provide a long term competitiveness (futuristic) more than today market demands, and that can resist recession (Recession Proof). Those Innovation and business practices are supported by the efforts of strategic alliances in a network with various business entities as well as by conducting a Strategic Benchmarking for an increase in the effectiveness of the enterprise and the ability to compete in the business world.

Finally, we hope that this compilation of papers, ranging from a conceptual work to an empirical research can enrich our perspective in corporate governance theory and practices.

TABLE OF CONTENTS

FOREWORD	iii
TABLE OF CONTENTS	iv
1. EDUCATING HYPERMARKETS MANAGER WITH GEO- SPATIAL TECHNOLOGY FOR SUSTAINING THE FUTURE PROSPECT OF BUSINESS LIFETIME VALUE Abdul Manaf Bohari, Ruslan Rainis dan Malliga Marimuthu.....	1
2. METHODOLOGICAL ISSUES ON PROSPECTING NON- CONTRACTUAL CUSTOMER OF HYPERMARKET BUSINESS IN MALAYSIA: AN UN-STRUCTURED INTERVIEW WITH ACADEMICIAN EXPERTISE'S Abdul Manaf Bohari, Ruslan Rainis dan Malliga Marimuthu.....	2
3. MANAGEMENT INFORMATION SYSTEM IMPLIMENTATIONS AT THE HIGHER LEARNING ORGANIZATION: A CASE OF UNIVERSITI UTARA MALAYSIA Mousa Rahil Mostafa, Abdul Manaf Bohari	3
4. THE AFFECT OF TYPE OF BUSINESS AND COUNTRY OF ORIGIN OF THE QUALITY CONTROL CIRCLE TO THE TOOLS, PROCESS AND MEASUREMENT BY USING CONTENT ANALYSIS Alain Widjanarka, Emil Fadilah, Yanto Sidik Pratiknyo.....	4
5. DIMENSIONS OF INDIVIDUAL AND ORGANIZATION: IT'S EFFECT ON EMPLOYEE PERFORMANCE (<i>A CASE STUDY AT PT. SK PULP & PAPER, SURABAYA – INDONESIA</i>) Arik Prasetya.....	5
6. IS PRIVATIZATION ALWAYS SUCCESFULL IN ENHANCING FIRM'S PERFORMANCE? EVIDENCE FROM INDONESIAN STATE OWNED ENTERPRISES Bin Nahadi.....	6

7. THE INFLUENCE OF BRAND EQUITY TOWARDS REPURCHASING INTENTION OF NOKIA MOBILE PHONE THROUGH THE CONSUMER VALUE IN SURABAYA Christina Esti Susanti.....	7
8. EXPLANATORY STUDY BRAND PERSONALITY ON BRAND COMMITMENT GARDA OTO INSURANCE SURABAYA Liman Wijaya, Endang Ernawati, Christina R. Honantha.....	8
9. THE ROLE OF CUSTOMER SATISFACTION AND COMPANY REPUTATION IN BUILDING COMPANY NET PROMOTER SCORE. Dudi Anandya, Sandy Christian Listiono.....	9
10. DIVIDEND POLICY ON THE COMPANIES IN MANUFACTURING SECTOR LISTED ON INDONESIA STOCK EXCHANGE DURING 2005-2009: AN EXPLANATORY STUDY Sylvia Andriani, Endang Ernawati.....	10
11. THE PRICE DIFFERENTIATION STRATEGY FOR MULTI-SEGMENT MARKET: CASE STUDY IN AN INTERNATIONAL SHIPPING COMPANY Esti Dwi Rinawiyanti.....	11
12. ABNORMAL RETURN DIFFERENCES BETWEEN BEFORE AND AFTER THE FINANCE MINISTER'S RESIGNATION Fran Sayekti, Lilis Endang Wijayanti.....	12
13. DESCRIPTIVE STUDY ON DESTINATION IMAGE PERCEPTION BY THE SURABAYA DOMESTIC TOURISTS Fitri Novika Widjaja.....	13
14. THE COMPETITIVENESS INDICATOR OF SMALL BUSINESS IN SURABAYA Henrycus Winarto Santoso.....	14
15. THE ROLE OF HRIS IN STRATEGIC HUMAN RESOURCES MANAGEMENT HIGHER EDUCATION AT SURABAYA Irra Chrisyanti Dewi.....	15

16. ANALYSIS OF FEASIBILITY STUDY DEVELOPMENT ON SITE EDUCATION FLEXINET HOTSPOT AND ITS MARKETING STRATEGY Ivone Andayani	16
17. INNOVATION OF MEDIA ON EDUCATION ABOUT STANDARDIZATION THROUGH DEVELOPMENT OF POPULAR GAMES Juliani Dyah Trisnawati, Muhammad Rosiawan.....	17
18. THE IMPACT OF LIFESTYLE ON INTENTION TO ADOPT BLACKBERRY IN SURABAYA THROUGH THE MEDIATION OF PERCEIVED USEFULNESS AND PERCEIVED EASE OF USE Juniati, S.S., M.M., Dra.ec. Indarini, M.M., CPM(Asia).....	18
19. FINANCIAL PERFORMANCE OF PUBLIC COMPANY BEFORE AND AFTER ACQUISITION PERIOD 2001 – 2007 Kornelius Prawira Dwidjaja, Liliana Inggrit Wijaya, Mudji Utami.....	19
20. AN ANALISIS OF COMPETITIVE ADVANTAGES ISSUES IN THE BUSINESS OF WOMEN TECHNOPRENEURS: AN INTEGRATION OF ICT SOFISTICATIONS WITH STRATEGY OPTIONS Liza A.M. Nelloh, Abdul Manaf Bohari, Nurwahida Fuad.....	20
21. AN OVERVIEW OF INFORMATION SYSTEM RESOURCES FOR STRENGTHENING THE TECHNOPRENEURS BUSINESS: UNSTRUCTURED INTERVIEW APPROACH Liza A.M. Nelloh, Abdul Manaf Bohari.....	21
22. ANALYSIS OF CORPORATE GOVERNANCE MECHANISM, GREEN BUSINESS, AND CORPORATE PERFORMANCE FOR COMPANY GO PUBLIC AT INDONESIAN CAPITAL MARKET Mutamimah.....	22
23. THE EFFECT OF SERVICE QUALITY, IMAGE OF INSTITUTION AND ISLAMIC VALUE ON CUSTOMER SATISFACTION (CASE	

STUDIES IN THE FACULTY OF ECONOMICS, UNIVERSITY OF MUHAMMADIYAH JEMBER) Nurul Qomariah.....	23
24. DO BASEL II ACCORD CLASSIFICATION INLINE WITH BANK PERFORMANCE? Putu Anom Mahadwartha, Endang Ernawati, Betha Silvia Sutejo.....	24
25. SERVICE QUALITY IMPROVEMENT OF NON SUBSIDIES FUEL SALES USING INTEGRATION OF SERVQUAL, IMPORTANCE PERFORMANCE ANALYSIS (IPA) AND QUALITY FUNCTION DEPLOYMENT (QFD) METHOD Rini Widiastuti, ST, Dr. Indung Sudarso, ST., MT.....	25
26. CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE OF ISLAMIC BANKING IN INDONESIA Rohmawati Kusumaningtias	26
27. PERSONAL BENEFIT, FAIRNESS OF LAW AND ETHICAL POSITION IN INSIDER TRADING Sekar Akrom Faradiza, Ratna Listiana Dewanti	27
28. THE EFFECTS OF SERVICE RECOVERY ON CUSTOMER SATISFACTION IN RESTAURANT INDUSTRY Siti Rahayu.....	28
29. THE INFLUENCE OF INVESTMENT OPPORTUNITY SET (IOS) TO COST OF EQUITY CAPITAL (COEC) AT COMPANY'S LQ45 Sri Hermuningsih.....	29
30. COMPETITION IN THE INDONESIAN BANKING MARKET Suminto Sastroswito, Yasushi Suzuki.....	30
31. BUSINESS STRATEGY, TOTAL QUALITY SERVICE AND COMPETITIVE DOMINANCE IN INDONESIA TELECOMMUNICATION INDUSTRY Umi Kaltum, Budi Harsanto.....	31

32. IMPLEMENTATION OF BUSINESS TRAINING AND BRAND
MANAGEMENT IN IMPROVING THE QUALITY OF BUSINESS
RELATIONSHIP ON LOCAL FRANCHISE IN SURABAYA
Yessy Artanti, Sri Setyo Iriani..... 32

fbe.ubaya.ac.id

Department of Management
Faculty Business & Economics
Universitas Surabaya
Jl. Raya Kalirungku, Surabaya, 60293
Ph: +62 31 298 1139 Fax: +62 31 298 1239
email: ubayainsyma@yahoo.com

Member of:
The Association to Advance
Collegiate Schools of Business
 AACSB
INTERNATIONAL

ISBN 978-979-99365-6-1



9 789799 936561