

**THE FACTORS AND BEHAVIOR OF RISK-BASED CAPITAL RATIOS  
OF COMMERCIAL BANKS IN INDONESIA IN ACCORDANCE WITH  
BASEL II ACCORD**

**THESIS**

**Presented as Partial Fulfillment of the Requirements for the Degree of  
Sarjana Ekonomi (S1) in International Business Management Program**

**Faculty of Economics**

**Universitas Atma Jaya Yogyakarta**



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**FACULTY OF ECONOMICS  
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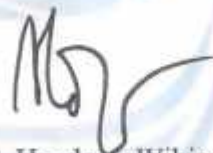
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## **AUTHENTICITY ACKNOWLEDGEMENT**

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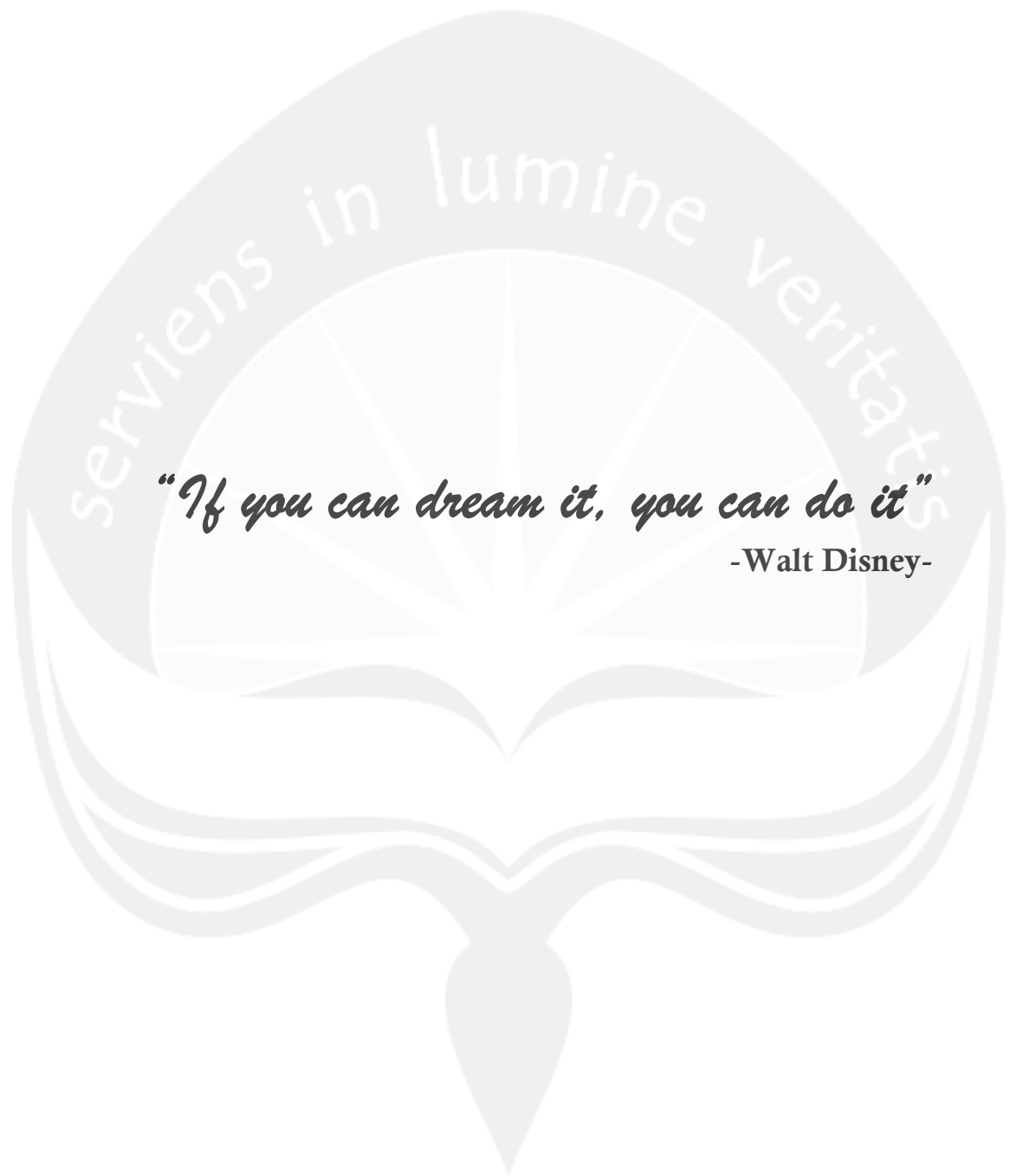
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Is really my own thinking and writing, I fully acknowledge that my writings do not contain others' or parts (s) of others' writing except for those that have been cited and mentioned in the bibliography.

Yogyakarta, September 12<sup>th</sup>, 2015



**Gede Indra Gautama**



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**Yogyakarta, September 13<sup>th</sup>, 2015**

**Gede Indra Gautama**



## TABLE OF CONTENTS

TABLE OF CONTENTS .....	ix
LIST OF TABLES .....	xi
LIST OF FIGURES .....	xii
LIST OF APPENDICES .....	xiii
ABSTRACT .....	xiv
CHAPTER I INTRODUCTION .....	1
1.1 History of Banking in Indonesia.....	1
1.2 Research Background.....	2
1.3 Problem Statements .....	5
1.4 Scopes of the Research.....	5
1.5 Originality of Writing.....	6
1.6 Objectives and Benefits of the Research.....	7
1.6.1 Objectives of the Research.....	7
1.6.2 Benefits of the Research.....	8
1.7 Writing Systematic .....	8
CHAPTER II LITERATURE REVIEW .....	10
2.1 Theoretical Background .....	10
2.2 Previous Research Findings .....	23
2.3 Hypothesis Development .....	28
CHAPTER III RESEARCH METHODOLOGY .....	31
3.1 Sampling.....	31

3.2	Data and Data Gathering .....	33
3.3	Data Analysis .....	34
3.4	Variable and Variable Measurement .....	34
3.5	Method of Analysis and Hypothesis Testing .....	37
3.5.1	Method of Analysis .....	37
3.5.2	Hypothesis Testing .....	41
CHAPTER IV DATA ANALYSIS .....		44
4.1	Introduction .....	44
4.2	Observed trends of Capital Ratio (CAP) of Each Bank Industry .....	45
4.3	Regression Analysis .....	48
4.3.1	Cross-section Weight Regression Analysis .....	49
4.3.2	Period Weight Regression Analysis .....	54
4.3.3	2SLS Weight Regression Analysis .....	58
4.4	The Selection of GMM Weight .....	62
4.5	The Interpretation of Regression Results Using GMM Method with Cross-section Weight .....	66
CHAPTER V CONCLUSION .....		71
5.1	Introduction .....	71
5.2	Conclusion .....	71
5.3	Limitations of the Research .....	74
5.4	Suggestions for Further Research .....	75
BIBLIOGRAPHY .....		77
APPENDICES		

## LIST OF TABLES

Table 2.1 Summary of Previous Research Findings .....	27
Table 2.2 Expected Variables' Relationship to the Capital Ratio.....	30
Table 3.1 Samples of Research .....	33
Table 4.1 Cross-section Weight Regression Analysis .....	49
Table 4.2 R-squared Statistics of Cross-section Weight Regression Analysis .....	52
Table 4.3 Period Weight Regression Analysis.....	54
Table 4.4 R-squared Statistics of Period Weight Regression Analysis .....	57
Table 4.5 2SLS Weight Regression Analysis .....	58
Table 4.6 R-squared Statistics of 2SLS Weight Regression Analysis .....	61
Table 4.7 Adjusted R-squared Value Comparison.....	62
Table 4.8 ROE's Level of Significance Comparison.....	63
Table 4.9 ROE's Coefficients Comparison.....	64
Table 4.10 The Highlights of GMM Weight Regression Comparison .....	65

## LIST OF FIGURES

Figure 4.1 Capital Adequacy Ratio (CAP) Graph. ....	45
Figure 4.2 Capital Requirement Graph. ....	46



## LIST OF APPENDICES

Appendix 1 (CAP) Monthly Statistics from 2009 to 2013 .....	83
Appendix 2 (CR) Monthly Return Statistics from 2009 to 2013 .....	86
Appendix 3 (ROE) Monthly Statistics from 2009 to 2013 .....	89
Appendix 4 (TIER 1) Monthly Statistics from 2009 to 2013 .....	92
Appendix 5 (RISK) Monthly Statistics from 2009 to 2013 .....	95
Appendix 6 (SIZE) Monthly Statistics from 2009 to 2013 .....	98
Appendix 7 (MARKET) Monthly Statistics from 2009 to 2013 .....	101
Appendix 8 GMM Cross-section Weight Regression Result .....	104
Appendix 9 GMM Period Weight Regression Result .....	106
Appendix 10 GMM 2SLS Weight Regression Result .....	108

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## **Abstract**

This research primarily aimed to find out the response of Indonesian banks' capital ratios to changes in the amount of regulatory capital requirement, investigated the relation between banks' characteristics to that particular response as well as the effect of capital quality preference to the banks' risk-based capital ratios under the implementation of Basel II Accord. The data used was secondary data in a form of commercial banks statistics which were obtained from Otoritas Jasa Keuangan (OJK). The method of analysis would be fixed effect Generalized Method of Moments (GMM) with 3 alternative weights: cross-section weight, period weight, and 2SLS weight, and later only one of them which offered the best fit would be selected. The regression result generated by the chosen method then would be analyzed to identify the behavior of capital ratios toward changes in several proposed factors.

Based on analysis using fixed effect Generalized Method of Moments (GMM) with cross-section weight, between 7 proposed factors and capital ratios in this research was proved to have correlations. Capital ratios showed different behaviors toward capital requirement, banks' size as well as their risk tolerance, dependence on core (equity) capital, and also exposure to market discipline. These findings have implications to the observation of capital regulation in Indonesia.

**Keywords:** commercial banks, capital ratio, relationship, GMM