ANALYSIS OF FINANCIAL PERFORMANCE OF BANK TABUNGAN NEGARA (PERSERO) TBK BEFORE AND AFTER GO PUBLIC

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SKRIPSI ADVISER
RECOMMENDATION
LETTER

This Skripsi entitled “Analysis of Financial Performance of Bank Tabungan Negara (persero) tbk Before and After Go Public” prepared and submitted by Theresia Wulandari in partial fulfillment of the requirements for the degree of bachelor in the Faculty of Business has been reviewed and found to have satisfied the requirements for a Skripsi fit to be examined. I therefore recommend this Skripsi for Oral Defense.

Cikarang, Indonesia, January 23, 2015

Acknowledged by, 

Recommended by,

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Head, Management Study Program

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Skripsi Advisor
DECLARATION OF ORIGINALITY

I declare that this Skripsi, entitled “ANALYSIS OF FINANCIAL PERFORMANCE OF BANK TABUNGAN NEGARA (PERSERO) TBK BEFORE AND AFTER GO PUBLIC” is, to the best of my knowledge and belief, an original piece of work that has not been submitted, either in whole or in part, to another university to obtain a degree.

Cikarang, Indonesia, January 23, 2015

THERESIA WULANDARI
The Panel of Examiners declare that the Skripsi entitled “ANALYSIS OF FINANCIAL PERFORMANCE OF BANK TABUNGAN NEGARA (PERSERO) TBK BEFORE AND AFTER GO PUBLIC” that was submitted by Theresia Wulandari majoring in Management from the Faculty of Business was assessed and approved to have passed the Oral Examinations on February 24, 2015.

Liswandi, S. Pd. M.M
Chair - Panel of Examiners

Marie Ann C. Jimena, MBA
Examiner I

Misbahul Munir MBA, Ak, CPMA
Examiner II
This research purposes to find out the changes in Bank Tabungan Negara’s financial performance before and after go public. The researcher specifically wants to analyze the changes in its Non-Performing Loan (NPL), Loan to Deposit Ratio (LDR), Net Interest Margin (NIM), Return on Assets (ROA), Return on Equity (ROE) and Capital Adequacy Ratio (CAR). The researcher will be using these financial ratios which are considered as some of the indicators of RGEC Method. In this study, the research will be comparing the financial performance of Bank Tabungan Negara from 2006 to 2012. The data that will be used will be analyzed and calculated to seek if the differences are significant. In addition, there will be explanations on what caused those significant differences. Descriptive analysis, Year to year analysis, Comparative analysis, and Horizontal analysis are necessary research analysis that will be used to achieve the purpose of this research. Results of the analysis found that there is significant different in Non-Performing Loan (NPL) Net, Loan to Deposit Ratio (LDR), Return on Equity (ROE) and Capital Adequacy Ratio (CAR). The significant different can be seen from the contrast pattern of ratios before and after the IPO.

**Keywords:** Financial Ratios, RGEC Method, Comparative Analysis
ACKNOWLEDGMENT

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LIST OF ACRONYMS

NPL: Non-Performing Loans
LDR: Loan to Deposit Ratio
NIM: Net Interest Margin
ROA: Return on Assets
ROE: Return on Equity
CAR: Capital Adequacy Ratio
Chapter I
INTRODUCTION

1.1 Background of the Study

An initial public offering (IPO) describes the first sale of stocks issued by a privately owned company. Usually when a company decided to go public, it is because the company has high demand for capital. The purpose of having high capital is often to expand their business. Company owners can exit their current investment and cash out through an IPO. Particularly, private equity and venture capitalists often use an IPO as a reasonable strategy to exit their investment. When going public, the owner of a business does not require selling the entire company. They can choose to sell it partially, and that way they will be able to gain access to capital markets while maintaining a (controlling) stake in a company. (Rudorfer, 2009)

The capital markets are described as the markets for buying and selling equity and debt instruments. Capital markets channel savings and investment between suppliers of capital. As it was explained above, companies who decided to go public usually have the purpose to expand its capital. According to Andy Rachleff (2013), there are four reasons to take a company public. These four reasons are to maximize shareholder value, raise money at more attractive rates, create an acquisition currency, and increase company awareness. For a company that is doing well in the market, going public might be a good way to a higher stock price if the company remains independent. Going public can also put the company at higher valuations. It is a good deal for the company because investors are usually willing to pay a much higher price for a security that has greater liquidity. By going public, acquisition can be pursued as a growth engine and by having acquisition; the company stock can be more liquid. And lastly, when a company goes public, the business world will be
aware of the existence of the company and the attention that the company gets will be very beneficial.

Going public is a big step in a company. Whatever the outcome, any results will affect the financial performance of the company. According to forbes.com, an IPO is shorthand for initial public offering. It is exactly what it sounds like: the first sale of stock by a company to the general public, hence the clever shorthand “going public.” In most instances, an IPO is used to raise capital so that the company can get bigger. Jason Draho (2004) mentioned in his book that the IPO can be used for three things. First is to raise capital for expansion of operations, second is to increase liquidity for the shareholders, and third is to improve the company’s reputation so that way it helps the company to create a valuable currency – the stock – that later on can be used to make acquisitions and compensate employees.

The process of going public is not a simple thing. The tension arises from the conflicting interests of the three main participants to the IPO process: the issuing firm, the investment bank underwriting the offering and investor. It is common misconception that initial public offering (IPOs) are a guaranteed road to riches. Although there are many IPOs that do extremely well, the fact is that IPOs are like any other investment: there is always risk. Going public is a major decision that will surely change the character of a company and mean many sleepless nights for management. An IPO is also very expensive because the company will need to hire attorneys, accountants, printers, and many more. That is why before deciding to go public there are many factors that are needed to be discussed by the internal company. Usually companies that decided to go public are companies that have good popularity among the public and big enough to be marketed to the public.

Financial performance is a measure of a company’s ability to generate income over a given period of time. As it was mentioned before about investor, financial
performance affects the decision of the investor in deciding whether to sell, buy, or hold their stocks.

This skripsi will analyze the financial performance before and after Bank Tabungan Negara go public using the six ratios analysis which are some indicators used in RGEC Method that will be explained in details later. The ratios that are used in this study include Non-Performing Loan (NPL) ratio, Loan to Deposit Ratio (LDR), Net Interest Margin (NIM) ratio, Return on Assets (ROA) ratio, Return on Equity (ROE) ratio and Capital Adequacy Ratio (CAR).

In RGEC Method, Non-Performing Loan is considered as an indicator in credit risk profile analysis. Credit risk is risk arising from the failure of debtors and/or other parties to meet their obligations to the bank. Non-Performing Loan (NPL) ratio is a calculation that is used to measure the amount of its risky assets. High NPL ratio shows difficulty of cash flows. If a bank does not receive of his principal of the loan, he will lose money. Non-Performing Loan is the value of non-performing loss divided by the total value of credit.

In RGEC Method, Loan to Deposit Ratio (LDR) is considered as an indicator in liquidity risk profile analysis. Liquidity risk is caused by the Bank’s inability to fulfill its obligations on time. One ratio that will be used to measure the liquidity level of Bank BTN is Loan to Deposit Ratio. This ratio is an expression of how much money a bank retains in deposits compared to the total amount of outstanding loans. Generally, the higher the value of the ratio means the larger the margin of safety that the company possesses to cover short-term debts. The purpose in maintaining at least some level of financial liquidity is to ensure it has adequate funds to pay depositors who withdraw their money.
In RGEC Method, Net Interest Margin is considered as an indicator in earning analysis. Analysis of earning ratio is used to measure the level of earnings of a bank or a company. One ratio that will be used to measure the earning level of Bank BTN is Net Interest Margin. The net interest margin can be used to track the profitability of a bank’s investing and lending activities over a time period. NIM ratio is used to examine the success of a firm’s investment decisions as contrasted to its debt situations. A negative NIM shows that the interest expenses were higher than the amount of returns produced by investment.

In RGEC Method, Return on Assets is considered as an indicator in earning analysis. Analysis of earning ratio is used to measure the level of earnings of a bank or a company. One ratio that will be used to measure the earning level of Bank BTN is Return on Assets Ratio. ROA shows the percentage of how profitability a company’s assets are in generating revenue. ROA ratio is the bank’s net income divided by its total assets. An increasing number of ROA ratios indicate that the profitability of the bank is improving.

In RGEC Method, Return on Equity is considered as an indicator in profitability analysis. Analysis of earning ratio is used to measure the level of profitability of a bank or a company. One ratio that will be used to measure the liquidity level of Bank BTN is Return on Equity ratio. ROE ratio is a profitability ratio that measures the ability of the bank to generate profits from its shareholders investment in the company. ROE is net income after tax divided by equity capital.

In RGEC Method, Capital Adequacy Ratio is considered as an indicator in capital analysis. One ratio that will be used to measure the liquidity level of Bank BTN is Capital Adequacy Ratio. CAR is a measure of a bank’s ability to absorb losses. The formula of CAR is the total of capital divided by the total risk exposures.
Bank Tabungan Negara (BTN) is an Indonesian Bank. It is a bank that is known for its house financing. On 17 December 2009, this company decided to go public. By the end of 2009, Bank BTN became the first bank in Indonesia to list Asset-Backed Securities Collective Investment Contract transactions on the Indonesian Stock Exchange and had issued 2,360,057,000 shares, representing 27.08% of Bank BTN’s total shares. Bank Tabungan Negara was the biggest IPO issuer in 2009 with total funds of Rp 1.88 trillion. Also in 2009, the bank became one of the 10 biggest banks in Indonesia in disbursed asset and loan value. On its financial statement of 2009, it was stated that undergoing successful initial public offering (IPO) on the Indonesia Stock Exchange will secure Bank BTN’S to take dynamic steps forward despite the uncertainty of the global economic condition.

In Bank BTN official website under the “BTN News on 4th of April 2005”, as the Director of Bank Tabungan Negara at that time, Kodradi said that BTN will be more profitable when going public than doing other plan like merger. He also said that by getting a new capital of Rp. 1 trillion, the total of credit can increase up to Rp. 14 trillion. He also said that BTN is better off to go public in order to get stronger funding than doing any other corporate action.

Previously, it has been explained about the ratios that will be used in analyzing the financial performance of Bank Tabungan Negara before and after go public. Figure below illustrates the financial ratios and the type of data that are going to be used in this skripsi. This figure was taken from the actual 2009 financial statement of Bank Tabungan Negara that was provided in its official website. The figure below consists of annual data, but later in this skripsi, the data that will be used is quarterly.
Table 1.1: BTN’s Financial Ratios from 2005 to 2009

<table>
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<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL RATIOS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Return On Assets (ROA)</strong></td>
<td>1,47</td>
<td>1,80</td>
<td>1,89</td>
<td>1,78</td>
<td>1,86</td>
</tr>
<tr>
<td><strong>Return On Equity (ROE)</strong></td>
<td>18,27</td>
<td>19,64</td>
<td>21,54</td>
<td>23,36</td>
<td>33,66</td>
</tr>
<tr>
<td><strong>Net Interest Margin (NIM)</strong></td>
<td>4,65</td>
<td>5,08</td>
<td>5,31</td>
<td>5,13</td>
<td>5,27</td>
</tr>
<tr>
<td><strong>Capital Adequacy Ratio (CAR)</strong></td>
<td>21,54</td>
<td>16,14</td>
<td>21,86</td>
<td>18,23</td>
<td>16,50</td>
</tr>
<tr>
<td><strong>Profit Margin</strong></td>
<td>12,14</td>
<td>13,98</td>
<td>14,53</td>
<td>12,54</td>
<td>13,86</td>
</tr>
<tr>
<td><strong>NPL - Gross</strong></td>
<td>3,36</td>
<td>3,20</td>
<td>4,05</td>
<td>3,91</td>
<td>4,04</td>
</tr>
<tr>
<td><strong>NPL - Netto</strong></td>
<td>2,75</td>
<td>2,66</td>
<td>2,81</td>
<td>1,77</td>
<td>1,18</td>
</tr>
<tr>
<td><strong>Operating Expense to Operating Income</strong></td>
<td>87,87</td>
<td>86,18</td>
<td>85,57</td>
<td>87,56</td>
<td>86,16</td>
</tr>
<tr>
<td><strong>Loan to Deposit Ratio (LDR)</strong></td>
<td>101,29</td>
<td>101,83</td>
<td>92,38</td>
<td>83,75</td>
<td>78,93</td>
</tr>
</tbody>
</table>

Table 1.2: IPO Fund Utilization Plan of Bank Tabungan Negara

<table>
<thead>
<tr>
<th>Tanggal Date</th>
<th>Uraian Description</th>
<th>Jumlah (Ri) Total</th>
<th>Penggunaan Dana Fund Utilization</th>
</tr>
</thead>
<tbody>
<tr>
<td>17 Desember 2009</td>
<td>Hirol IPO IPO Proceeds</td>
<td>1.888.234.882.515,00</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Biaya IPO Cost of IPO</td>
<td>68.580.713.165,00</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Hasil Bersih IPO Net Proceeds of IPO</td>
<td>1.819.854.189.360,00</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Realisasi penggunaan dana period 17 to 31 Desember 2009 Realization of fund utilization from 17 to 31 December 2009</td>
<td>1.271.659.210.000,00</td>
<td>Ekspansi Kredit Loan Disbursement</td>
</tr>
<tr>
<td>31 Desember 2009</td>
<td>Sisa Dana Remaining Proceeds</td>
<td>547.997.959.350,00</td>
<td>Ekspansi Kredit Loan Disbursement</td>
</tr>
</tbody>
</table>

Figure above illustrates the IPO Fund Utilization Plan of Bank Tabungan Negara in details. It states that the total funds from IPO is about Rp. 1.88 trillion. Then, the cost of IPO is about Rp. 68.58 billion.
Figure above shows that after the IPO, the effects of the event on financial performance include: net income growth of 13.93%, asset growth of 29.91%, loan and financing growth of 27.19%, and third-party fund increased by 27.87%. In addition, Iqbal Latanro, President Director of BTN in 2009 stated:

“The IPO contributed as much as 5.40% to the increase of CAR, and reached 21.54% by the end of 2009 has made it possible for Bank BTN to expand this year’s loans for several years. The net income at the end of 2009 increased by 13.93% to reach Rp 490.45 billion, rising from Rp 430.47 billion at the end of 2008. The increase of earning per share in 2009 rose by 11.76% to Rp 76 per share, from Rp68 per share in 2008. The 2009 financial performance in general has exceeded some key targets for 2009. It was a positive achievement within the more challenging banking industry.”

From his statement, the readers could see that there were many effects of the IPO on financial performance of Bank Tabungan Negara.

Indri (2013) mentioned in her thesis an example of other researchers’ experiment that could be used in this skripsi. In her thesis said that Jain and Kini (1994) examined 682 companies doing IPO’s in the period from 1976 to 1988 at the New York Stock
Exchange. The result of their research was that IPO firm’s exhibit a decline in post-issue operating performance. It could be seen from the operating return on asset and operating cash flows that deflated by assets. It was explained that the declining operating performance of IPO firms cannot be attributed to a lack of sales growth opportunities or cutbacks in post-IPO capital expenditure. These researchers also said that this situation happened because the management of the firms wanted to show the better financial performance in the period before IPO. The implication of that statement can be interpreted as an earnings management.

Earning management can be defined as the use of accounting techniques to produce financial reports that may paint an overly positive picture of a company's business activities and financial position. In her thesis Indri (2013) also explained that there were also other results of researches that were conflicting with the result of Jain and Kini. One thesis that was provided by Bogor Agricultural University, or known as IPB, talked about a research paper about IPO. In the paper, it was stated that some companies’ financial performance decreased after they went public. On the other hand, some companies’ financial performance increased after they went public. Through this study, the researcher will analyze the financial performance of Bank Tabungan Negara before and after go public. The readers will be able to see how the financial performance of Bank Tabungan Negara changes before and after go public. The skripsi later on will explain in details the changes that happened on BTN’s financial performance after the IPO.

In the end, we see that analyzing financial statements is an important thing when it comes to measuring a company or a bank’s financial performance. Specifically, this skripsi is focusing on the changes in financial performance of Bank Tabungan Negara before and after go public. Understanding the financial performance of a bank will also tell a person many things about the bank. Knowing the effects of IPO on a firm or a bank might give another firm or bank idea or illustration before
deciding whether to go public or not. Also, after the financial analysis has been done, it will certainly help the firm or the bank to improve its finance performance for the next year. By improving the financial performance, the company’s owned resources will automatically increase, and this will be directly proportional to the achievement of corporate profits.

Based on the explanation above, the researcher purposes to do research with the title of skripsi: “Analysis of Financial Performance of Bank Tabungan Negara (persero) tbk Before and After Go Public.”

1.2 Problem Identification

From the beginning, it has been explained about the general points of this skripsi. Going public is a big step for a bank or a firm. Going public also affects the financial performance of a bank or a firm. Based on the explanation above on the background of the study, the problem that will be discussed in this research paper is: “How the financial performance of Bank Tabungan Negara tbk before and after go public is different.” The researcher will try to find out whether Non-Performing Loan (NPL) ratio, Loan to Deposit Ratio (LDR), Net Interest Margin (NIM) ratio, Return on Assets (ROA) ratio, Return on Equity (ROE) ratio and Capital Adequacy Ratio (CAR) increase or decrease after the IPO. In addition, the researcher will try to figure out the reason the change happens. After the problem is identified, next will be the further explanation about this skripsi topic.

1.3 Statement of the Problem

Based on the problem identified, the researcher may conclude:

1. Is there a difference in Non-Performing Loan (NPL) before and after go public?
2. Is there a difference in Loan to Deposit Ratio (LDR) before and after go public?
3. Is there a difference in Net Interest Margin (NIM) before and after go public?
4. Is there a difference in Return on Assets (ROA) before and after go public?
5. Is there a difference in Return on Equity (ROE) before and after go public?
6. Is there a difference in Capital Adequacy Ratio (CAR) before and after go public?

1.4 Research Objectives

Based on the statement of the problems, the research objectives are as follows:
1. To find out the difference of Non-Performing Loan (NPL) ratio after the IPO
2. To find out the difference of Loan to Deposit Ratio (LDR) ratio after the IPO
3. To find out the difference of Net Interest Margin (NIM) ratio after the IPO
4. To find out the difference of Return on Assets (ROA) ratio after the IPO
5. To find out the difference of Return on Equity (ROE) ratio after the IPO
6. To find out the difference of Capital Adequacy Ratio (CAR) after the IPO

1.5 Definition of Terms

- Acquisition: a corporate action in which a company buys most, if not all, of the target company's ownership stakes in order to assume control of the target firm.
- Capital Expenditure: funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.
- Capital: financial assets or the financial value of assets, such as cash.
- Debt Instrument: a paper or electronic obligation that enables the issuing party to raise funds by promising to repay a lender in accordance with terms of a contract.
- Liquidity: the degree to which an asset or security can be bought or sold in the market without affecting the asset's price.
- Margin of Safety: a principle of investing in which an investor only purchases securities when the market price is significantly below its intrinsic value.
- Shareholder: any person, company or other institution that owns at least one share of a company’s stock.
- Shareholder’s equity: a firm's total assets minus its total liabilities.
- Stock: a type of security that signifies ownership in a corporation and represents a claim on part of the corporation's assets and earnings.

1.6 Scope and Limitations

Scope
The study is conducted to analyze the financial performance of Bank Tabungan Negara tbk before and after go public. The analysis is limited to only six indicators. These are Non-Performing Loan ratio, Loan to Deposit Ratio, Net Interest Margin ratio, Return on Assets ratio, Return on Equity ratio and Capital Adequacy Ratio.

Limitation
The author will limit the research discussion which related only to the title that has been set. This research will only discuss in depth about the changes in Bank Tabungan Negara financial performance before and after go public. The data that will be used are the quarterly and annually financial reports of Bank Tabungan Negara tbk from 2006 to 2012.
1.7 Research Benefits

a) For Investor
Knowing the financial performance of this company before and after go public might help the investor to decide whether to buy, hold, or to sell the share.

b) For The Company
The result of this research might be used by the company to give them inputs of the changes in its financial performance before and after go public.

c) For Academic
This research might help students with deeper information in learning about going public and the effect of it on Bank Tabungan Negara’s financial performance.

d) For other Researcher
This study is expected to be reference for other researcher for developing future studies related to the company’s financial performance before and after going public.
Chapter II

REVIEW OF LITERATURE

2.1 Theoretical Review

2.1.1 Bank
A bank is an establishment authorized by a government to accept deposits, pay interest, clear checks, make loans, act as an intermediary in financial transactions, and provide other financial services to its customers. Jeanne Gobat (2012) explained some functions of a bank include making loans, creating money, and transmitting monetary policy. Her explanations will be listed below.

Making Loans
When people make some deposits to a bank, the bank may be used the money as long-term loans. That money which is the shorter-term deposits is used by banks to make longer-term loans.

Creating Money
Banks also create money. They do this because they must hold on reserve, and not lend out, some portion of their deposits-either in cash or in securities that can be quickly converted to cash.

Transmitting Monetary Policy
Banks also play a central role in the transmission of monetary policy, one of the government’s most important tools for achieving economic growth without inflation.
Bank safety and soundness are a major public policy concern, and government policies have been designed to limit bank failures and the panic they can ignite. Every bank tries to avoid the exposure of risks like credit risk, market risk, and overall solvency risk. This is where regulations are designed for.

2.1.2 Initial Public Offering

2.1.2.1 Definition of going public
According to investopedia.com, going public refers to a private company's initial public offering (IPO), thus becoming a publicly traded and owned entity. Businesses usually go public to raise capital in hopes of expanding; venture capitalists may use IPOs as an exit strategy - that is, a way of getting out of their investment in a company.

It is also explained in British Columbia Securities Commission that going public is raising money for a company by selling shares of the company to the general public. It says that the decision of going public by many private businesses is triggered by the need of additional capital for growth that they cannot get from the personal resources of the principals, their family and business associates or from financial institutions. Going public requires a process that is not simple. When a company decides to go public, it is necessary for that company to have expert financial advice about its decision about its appropriate stage of development to benefit from public financing. Before going public, a company also has to consider the costs and obligations that may outweigh the advantages of going public. The decision to go public and the timing of going public are important strategic considerations that should be made in the context of a well-developed business plan.
2.1.2.2 Decision making of going public

According to investopedia.com, going public has positive and negative effects, which companies must consider. Here are a few of them:

Advantages - Strengthens capital base, makes acquisitions easier, diversifies ownership, and increases prestige.

Disadvantages - Puts pressure on short-term growth, increases costs, imposes more restrictions on management and on trading, forces disclosure to the public, and makes former business owners lose control of decision making.

That brief introduction about what to consider in making decision to go public will begin to a more detail explanation of variables that are considered in making decision of going public.

Thomas J. Chemmanur from Boston College and Paolo Fulghieri from INSEAD AND CEPR wrote an article that discusses about A Theory of the Going-Public Decision. The article develops a model of the going-public decision of a firm and addresses the question, at what stage in its life should a firm go public rather that financing its projects through a private placement of equity?

According to Thomas and Paolo’s article, to begin the answer of that question, there are three essential differences between private and public firms:

1. *More dispersed share ownership.* By selling the firm to a large number of investors that means that each investor will have a smaller equity stake.

2. *The need to convince a much larger group of investors that its projects are worth investing in.* Since the firm will be sold to a larger group of buyers, it means that there will be more people that are going to be convinced about the quality of the firm’ projects.
3. **Publicly observable share price.** When a firm goes public, the common price at which equity is sold is publicly observable by all outside investor.

In their article, Thomas and Paolo explain in depth about the three points that were listed above. In conclusion, it is stated two main points of the article that discusses about going-public decision which were:

First point according to Thomas and Paolo’s article is about to raise capital. When a company goes public that means that the group of people that will be monitoring the company will be larger than before it goes public because when a company goes public that means the ownership of the firm becomes public. By going public, it also means that the benefits have to be shared with all shareholders reduces and the incentive of any single shareholder or group might be eliminated. If so, then, only private firm managers will be monitored. Thomas and Paolo also explained that normally firms that have accumulated a significant track record for successful operation will find it optimal to sell shared in the public equity market, while those without such a track record will raise capital from private equity investor.

Second point according to Thomas and Paolo’s article is about the possibility of delay in undertaking the firm’s project. When a company is in a need of money to do the firm’s project, the entrepreneur will try to look for source of financing. In the case of avoiding delay of the firm’s project, there are only two choices which are public or private equity financing. The entrepreneur has to solve for the optimal point in time at which to implement his firm’s project. As a good entrepreneurship, understand the value of his objectives is necessary. Once the form of financing is received, the entrepreneur has to plan efficiently and effectively the steps on achieving his objectives in the future. The optimal time to implement the project, and therefore to undertake the financing as well, will be when the entrepreneur’s objective is maximized.
2.1.2.3 Preparation before going public

James C. Brau and Stanley E. Fawcett (2006) surveyed 336 chief financial officers (CFOs) to compare practice to theory in the areas of initial public offering (IPO) motivation, timing, underwriter selection, underpricing, and signaling. These five variables are variables that are considered by companies before they decide whether or not to go public. The result of their work will be explained below.

A. Motivations for Going Public


1) First, firms conduct a public offering when external equity will minimize their cost of capital (thereby maximizing the value of the company).

2) Second, an IPO allows insiders to cash out. Insiders opportunistically sell shares in the IPO for personal gain. IPO gives VCs the opportunity to exit, providing an attractive harvest strategy.

3) Third, IPOs may facilitate takeover activity. An IPO can serve as a first step toward having a company taken over at an attractive price.

4) Fourth, IPOs may serve as strategic moves. By going public, a firm broadens the ownership base of the firm. An IPO can increase the publicity or reputation of the firm going public.

Like it was mentioned before, James and Stanley surveyed many CFOs. One of the matters that they asked to scale was “How important were/are the following motivations for conducting an IPO?” The overall result of the respondents was that the motivations were important. So, we can conclude that all of this information
supports the theory that motivation is one of the variables that are considered whether to go public or not.

B. Factors that Influence IPO Timing
Some known researchers in James and Stanley research project showed that IPOs come in waves. In this section, we discuss three theoretical domains that explain the timing of IPOs. These are:

1) First, managers take advantage of bull markets and attempt to capture attractive stock prices. Firms try to go public at the right time to allow them to get the most attractive offering prices.

2) Second, timing is driven by the attractiveness of the IPO market. When one firm goes public, the first day of that event triggers other firms to go public as well. Firms prefer to go public when other good firms are currently issuing.

3) Third, firms go public when they reach a certain point in the business growth cycle and need external equity capital to continue to grow.

The CFOs that were taking the survey were asked to scale a matter of “To what extent do the following influence the timing of a possible IPO?” Overall stock market conditions were identified as the single most important determinant of timing.

C. Underwriter Selection in IPOs
To support the theory of variables that are considered in going public decision making, James and Stanley again asked the CFOs to scale a matter of “How important are/were the following criteria in selecting a lead IPO underwriter?” The responses show that the principal intermediary role, which is the ability to provide the expertise needed to carry out a successful IPO, is the core issue considered in
selecting an underwriter. We can conclude that the test supports the importance of choosing the underwriter in going public.

D. Underpricing in IPOs

Another test was done by James and Stanley on the topic of underpricing in IPOs. Once again, the CFOs were asked to scale a matter of “To what extent do/did the following leads to the level of underpricing you expect(ed)?” The result of the survey shows that overall the CFOs agree that underpricing is a good strategy in going public. Most of them place more weight on a variety of issues that suggest underpricing is opportunistic rather than a function of risk and uncertainty.

E. Signaling in IPOs

According to James and Stanley, usually the information that is collected between IPO insiders and potential investors is not identical. Due to this situation, the signaling IPO theory becomes important to understand. By showing the people positive signaling of the company, it will help it in going public. To achieve the purpose of giving positive signal, it is also recommended to use prestigious underwriter, a reputable accounting firm, and certification that the firm going public is a good firm. The result of the survey of asking CFOs in a matter of “What type of signal do the following actions convey to investors regarding the value of a firm going public?” is that the most important positive signal is a strong history of earnings, past success is viewed as the best indicator of future returns.

2.1.2.4 The process of going public

Since going public is not a simple thing, there will be processes of going public that a company should be aware of before going public. According to investopedia.com, the IPO process begins with contacting an investment bank and making certain decisions, such as the number and price of the shares that will be issued. Investment banks take on the task of underwriting, or becoming owners of the shares and
assuming legal responsibility for them. It was explained that underwriter is supposed to be able getting money back from the public more than what the firm was paid off. Deals between investment banks and issuing companies can be valued at hundreds of millions of dollars, some even hitting $1 billion.

According to the official website of British Columbia Securities Commission, once a company makes a decision to go public, the company should retain a lawyer specializing in securities law. The lawyer can help the company organize its affairs to comply with the applicable statutes, regulations and policies. In the beginning of going public process, the company will need to prepare a detailed document that accompanies a public offering of securities called prospectus. This can be done by consulting with a lawyer. Each prospectus needs to be individually written with finely-tailored document and describes the company’s holdings, capitalization, future plans and matters such as how proceeds from the sale of shares qualified under the prospectus will be spent. To follow the regulations, this website mentions that the prospectus also needs to provide full, true and plain disclosure of all materials facts relating to the company and the offering. Not to mentions, it must comply with all relevant legislation and policies. After all the things that were mentioned above, through its legal counsel, then the company files the preliminary prospectus, supporting documents and applicable fees to the Executive Director. The Executive Director needs to issue a preliminary receipt so that company and its underwriters to solicit expressions of interest from potential investors.

All filed materials has to be examined because the Executive Director still needs to comment any documents and that comments will need to be discussed by the company. When there is no problem with all filed materials, then the company files a final prospectus and the Executive Director issues a receipt for it. In the article, it is noted that the Executive Director has the power to refuse the decision to process the IPO if she considers the proposed offering to be prejudicial to the public interest.
So, after the main process is done, the company will receive a final receipt. By then the company becomes a reporting issuer. With that the company now is allowed to sell the shares qualified under the prospectus. The selling process generally handled by underwriters or agents. It is their duty to have the knowledge, experience and sales force necessary to ensure a successful offering. The way the underwriters or agents are paid is by a commission or a discount on the price of the shares or an option to acquire shares of the company at a future time.

2.1.3 Capital Market
Capital market theory is concepts that try to explain and predict the progression of capital (and sometimes financial) markets over time on the basis of the one or the other mathematical model. Capital market theory talks about many issues. In this case, the issue that will be discussed in depth is about the IPO underpricing. Peter L. Karlis, an economics and risk management double major from Illinois, explained about the theories of IPO underpricing on the book of “The Park Place Economist: vol. VIII”.

According to Peter (2000) the first theory of IPO underpricing considered in his study is the Adverse Selection Theory. He explained about a study by Rock in 1986 where there are two different group of investors, informed and uninformed. It was noted that the informed investors know the true value of the stock and uninformed investors invest randomly. Rock claims that underpricing the IPOs induce the uninform investors to participate in the market. When more investors interest in a company, the demand increases.

The second theory of underpricing examines the relationship between the investment bank and the issuing firm. The study that was done by Baron in 1982 used The Principal-Agent Theory. The theory explains that although the issuing firm does not
know the real value of the firm and that causes uncertainty of the firm but when the investment bank has good reputation, the value of the firm will keep up with the good reputation that the investment bank is signaling and the uncertainty should go down.

In the end, it is concluded that the theory of underpricing is purposed to make the IPO of a firm or a company more interesting to the investors.

2.1.4 Analysis of Financial Report
In this skripsi, as it is stated in the title, analyzing the financial reports of Bank Tabungan Negara (BTN) will be required in order to figure out the comparison of before and after go public. Since analyzing financial reports is connected to this skripsi, it is necessary to explain about financial reports and its relations.

2.1.4.1 Definition of Financial Report
According to business dictionary.com, financial reports can be defined as a set of documents prepared usually by government agencies at the end of an accounting period. It generally contains summary of accounting data for that period, with background notes, forms, and other information.

2.1.4.2 Components of Financial Report
A complete set of financial statements is made up of five components: an Income Statement, a Statement of Changes in Equity, a Balance Sheet, a Statement of Cash Flows, and Notes to Financial Statements.

1. The Income Statement shows the company’s income and expenses for a particular period.
2. The Statement of Owner's Equity shows the movement in capital.
3. A Balance Sheet shows the financial position or condition of a company at a certain date.
4. The Statement of Cash Flows shows the money in cash that goes in-and-out through the company.

2.1.4.3 Purpose and Benefit of Financial Report Analysis
A firm’s financial analysts usually examine a company’s past and current financial statements when interested in investing in a small business. The purpose of this act is to find out possible weakness and any problems areas that the company has. The analysts probably will check for unusual movements from year to year and the patterns in revenue and profits. By doing this, it will help the analysts in deciding the next step. In addition, the benefit of financial report analysis is to help the firm to make investment decisions or recommendations or any other matters about financial issues. (Crawford, Chron.com)

2.1.4.4 Advantages and Disadvantages of Financial Report Analysis
According chron.com, one advantage of analyzing the financial report is to help in making financial decision because the data that is used should be based on the market at that given time. Another advantage is that the financial report shows the sales pattern of a company. That way the analysts can take a look at several years of the company financial reports to get the overall picture of financial condition of the company. Last advantage is that financial statements show the company’s budgets. Through this information, the analysts can see how much money a company spends for budgeting. By knowing its budget for things, it will show whether the company spend more than expected or not. One disadvantage of financial statement analysis is that you cannot just rely on a single statement of one specific year. In order to figure out any financial estimation in the future, analysts need more than one or two years to compare. That way they can see the changes or differences year to year. (Jane, Chron.com)
2.1.4.5 Methods or Techniques of Financial Report Analysis

In the article from chron.com, it explains three general method or techniques of financial report analysis. First is horizontal analysis. Horizontal analysis is the comparison of data sets for two periods. This kind of analysis is about comparing the changes in two or more different periods. Second is vertical analysis. This type of analysis works with a single period. So the numbers that will be compared is in one financial statement. Third is ratio analysis. As we know, the word ratio usually means comparing two things. This kind of analysis will be used in calculating the data that will be provided in this skripsi. Last is trend analysis. This is just the continuation of horizontal analysis. This kind of analysis will also be used in analyzing the data that will be calculated in this skripsi. (Slaughter, Chron.com)

2.1.5 Financial Performance

2.1.5.1 Definition of Financial Performance

According to investopedia.com, financial performance can be defined as a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term also means a general measure of a firm’s overall financial health over a given period of time.

2.1.5.2 Definition of Financial Performance Analysis

Financial performance analysis is examination of various financial performance indicators. Financial performance analysis can be done by evaluating the financial reports of a company. Financial performance analysis is done to evaluate the condition of the company. One example of the purpose of financial performance
analysis which will be used in this skripsi is to compare the company’s financial condition for several years.

2.1.5.3 The Relationship between Financial Performance Analysis and Financial Performance
The relationship between financial performance analysis and financial performance is obvious. Like it has been explained previously, to know the financial performance, analyzing the financial performance is a must.

2.1.6 Rules and Regulations of Company Financial Performance
To measure the health level of public banks, the standard that was used was the CAMELS system. Now, for the new rules and regulations, Bank Indonesia stated that there is a new standard to measure a bank’s health level which is called RGEC System. R stands for Risk, G stands for Good Corporate Governance, E stands for Earning, and C stands for Capital. Since it is the standard measurement that is used in Indonesia, the indicators that are used in RGEC method will be used to be the variables of this skripsi. These indicators include Non-Performing Loan (NPL), Loan to Deposit Ratio (LDR), Net Interest Margin (NIM), Return on Assets (ROA), Return on Equity (ROE), and Capital Adequacy Ratio (CAR). A healthy bank should has a maximum requirement of 5% for NPL, a minimum requirement of 69.55% for LDR, a minimum requirement of 5% of NIM, a minimum requirement of 1.5% for ROA, a range of 15%-20% for ROE, and a minimum requirement of 8% for CAR.

2.2 Previous Research
Some previous research has been conducted regarding the before and after going public of a company or several companies. Some of them are:
<table>
<thead>
<tr>
<th>No</th>
<th>Author</th>
<th>Year</th>
<th>Title</th>
<th>Method</th>
<th>Result</th>
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<tbody>
<tr>
<td>1</td>
<td>Nur Inayah</td>
<td>2013</td>
<td>Analysis of Financial Performance before and after go public. (Study case of PT. Jasa Marga Tbk)</td>
<td>Quantitative. Analyze data using financial ratios such as; current ratio, cash ratio, total capital ratio, ROE, &amp; ROI.</td>
<td>The result was that the period of after going public the financial performance of PT. Jasa Marga Tbk is better and healthier than the period of before going public.</td>
</tr>
<tr>
<td>2</td>
<td>Indri Puspa</td>
<td>2013</td>
<td>Analysis of Company Performance Before and After Going Public in Indonesia Stock Exchange</td>
<td>Quantitative. If the data are normally distributed, the research hypotheses tests use one-sample t-test and paired samples t-test. Otherwise, it uses one-sample Wilcoxon test and paired samples Wilcoxon test.</td>
<td>Average investors obtain positive return when they buy stocks at the offer price. Firms operating performance after going public tend to decrease. Operating performance tend to increase approaching the offering date. Other variable ratios performance</td>
</tr>
</tbody>
</table>
3. **Wiwit Yaniati**  
**2008**  
**Analysis of the Differences in Financial Performance Before and After Go Public on Pharmaceutical Companies in Jakarta Stock Exchange.**  
Analysis Ratios such as current ratio, quick ratio, total asset turnover, fixed asset turnover, total debt to asset ratio, debt to equity ratio, return on equity, ROE, ROA, & net profit margin. Normality test data using one sample test Kolmogorov - Smirnov.  
There is no significant difference of all variables of this research before and after the pharmaceutical companies in Indonesia Stock Exchange go public except for the variable of net margin profit.

4. **Sahal Manalu**  
**2002**  
**Analysis of Financial Performance Before and After Go Public on Banks in Sampling of 27 banks that went public in Jakarta Stock Exchange. Financial Ratios such as CAR, RORA, NPM,**  
The banks with total assets of more than 2 trillion rupiah performed better than banks with total assets less.
2.3 Theoretical Framework

<table>
<thead>
<tr>
<th>Before IPO</th>
<th>After IPO</th>
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<tbody>
<tr>
<td>NPL</td>
<td>NPL</td>
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<tr>
<td>LDR</td>
<td>LDR</td>
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<tr>
<td>NIM</td>
<td>NIM</td>
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<td>ROA</td>
<td>ROA</td>
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<td>ROE</td>
<td>ROE</td>
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<tr>
<td>CAR</td>
<td>CAR</td>
</tr>
</tbody>
</table>

Bank Tabungan Negara went public in 2009.

Jakarta Stock Exchange.

ROA, LDR, CR, & NIM. Wilcoxon’s Signed Ranks Test was applied.

than 2 trillion rupiah. Bigger banks have better performance after go public, but there are no differences in profitability.
2.4 Operational Definition

A. Non-Performing Loan
According to Carter McBride (2015) NPL is the nonperforming loans ratio. Analysts use this ratio to compare lenders. If a lender has a high NPL ratio, the lender will have difficulties with cash flows. This is because many of the loans the company holds have a high probability of not being paid back. The formula of Non-Performing Loan ratio is:

\[
\text{NPL} = \frac{\text{Non-Performing Loans}}{\text{Total Credit}} \times 100 \%
\]

B. Loan to Deposit Ratio
Sara Melone (2015) said that LDR is a measure of a financial institution's liquidity. The ratio is an expression of how much money a bank or other financial institution retains in deposits compared to the total amount of outstanding loans. It may also be expressed as the total percentage of loans funded through deposits. If the ratio is too high, it means that banks might not have enough liquidity to cover any unforeseen fund requirements; if the ratio is too low, banks may not be earning as much as they could be. The formula of Loan to Deposit Ratio is:

\[
\text{LDR} = \frac{\text{Total Credit}}{\text{Third-party Funds}} \times 100 \%
\]
C. Net Interest Margin
Noriega (2002) explained that net interest margin measures all interest earned and collected from loans and investments less the cost of funds. NIM examines how successful a firm's investment decisions are compared to its debt situations. A negative value denotes that the firm did not make an optimal decision, because interest expenses were greater than the amount of returns generated by investments. The formula of Net Interest Margin is:

\[
NIM = \frac{(Interest\ Income - Interest\ Expenses)}{Earning\ Assets} \times 100\ %
\]

D. Return on Assets
According to Beaver (2011), ROA is a measure of the profitability of the assets. Also according Lafferty (2011), ROA measures the financial effectiveness of the utility. The formula of Return on Assets is:

\[
ROA = \frac{Profit\ before\ Tax}{Total\ Assets} \times 100\ %
\]

E. Return on Equity (ROE)
ROE is a theoretically popular measure, primarily because it takes into account a firm’s liabilities and pays homage to the dispersed ownership represented by shareholders. (Hoque, 2006) The formula of Return on Equity is:
ROE = \frac{Net\ after\ Tax\ Income}{Equity\ Capital} \times 100\ %

F. Capital Adequacy Ratio (CAR)
According to Nejati (2010), CAR is a measure of the amount of a bank’s capital expressed as a percentage of its risk weighted credit exposure and the purpose of having a minimum CAR is to ensure that banks can absorb a reasonable level of losses before becoming insolvent and before depositors funds are lost. The formula of Capital Adequacy Ratio is:

\[
CAR = \frac{Capital}{Risk-Weighted\ Exposures} \times 100\ %
\]
Chapter III

RESEARCH METHODOLOGY

3.1 Research Design

This research will analyze the difference before and after Bank Tabungan Negara go public. Therefore, it is necessary to test the problem statements that were mentioned in chapter 1. This test will be done according to the research method and analysis that is constructed for the variables that will be analyzed so that this research will produce accurate results. A research design is a plan, structure, and strategy of investigation so conceived in order to get answers to research questions or problems.

There are two types of research which are:

Quantitative: Quantitative data usually consists of numeric description of trends, attitudes, or opinions of a population. In qualitative research, people usually use the method of surveying. But in this research, the researcher will use the financial statements as the quantitative data. The numbers that are provided in the financial statements will be calculated.

Qualitative: Qualitative primarily exploratory research. It is used to gain an understanding of underlying reasons, opinions, and motivation. This kind of research provides insight into the problem to develop ideas. In this research, the type of analyzing data will be qualitative. The numbers in the financial statements will be analyzed to see why the numbers are changing before and after Bank Tabungan Negara go public.


3.2 Research Instrument

Research instrument is a tool designed to measure the variable(s), characteristic(s), or information of interest, often a behavioral or psychological characteristic. There are two types of data: primary data and secondary data.

Secondary data: information which are taken from published and unpublished data which were previously gathered by other individual or agencies.

The data that will be used in this skripsi is the secondary data which will be the financial reports that are provided in Bank Tabungan Negara official website. The data that will be used is the financial statements of Bank Tabungan Negara from the year of 2006 until 2012. As it was explained before the data will be calculated using the ratios that have been listed previously. After it is calculated, the result will be analyzed to figure out the changes before and after Bank Tabungan Negara go public.

3.3 Data Collection Procedure

The first step is the problem identification which it is listed in chapter 1. Second step is the hypothesis. This is where the researcher decides the propositions of its research. Third step is literature review. This is written in chapter 2. This chapter consists of theories that support the research. Forth step is the data collection. This section is where the researcher collects the data to be analyzed. Fifth is data analysis and interpretation. In this process, the data that will be used in this skripsi will be documentation method where the data that will be recorded is already provided on Bank Tabungan Negara official website which is the financial statements from 2006-2012. Last step is the conclusion and recommendation.
In analysis methods, there are several methods that can be used. Some methods that will be used in this skripsi are as follows:

1. Year to Year Analysis
   Investopedia.com defines year to year analysis as a method evaluating two or more measured events to compare the results at one time period with those from another
time period on an annualized basis. In this research the data will be compared on a year-over-year basis from annual performance to quarterly performance. The purpose of this type of analysis usually is to seek whether the performance is improving or worsening. In this case, the researcher uses this type of analysis because the researcher wants to know the financial performance of the bank before and after a big event.

2. Descriptive Analysis
Descriptive analysis offers a detailed description through the use of objective or subjective language to describe some object and in the process, give the reader some dominant impression of the thing being described. (uvawise.edu) Since the research is considered as a qualitative research, then there should be many descriptive analysis in this research.

3. Comparative Analysis
A comparative analysis explains how something is like or unlike something else. This skripsi will focus on the differences on financial performance of the before and after the object’s decision.

4. Horizontal Analysis
Horizontal analysis is more like a component of financial statement analysis. This type of analysis uses financial statement reporting amount for several years. For example, this research will be using the financial statement from 2006 to 2012.
Chapter IV

ANALYSIS AND INTERPRETATION

4.1 Company Profile

BTN stands for Bank Tabungan Negara. PT Bank Tabungan Negara (Persero) Tbk provides commercial banking services as well as activities based on Sharia principles. The firm operates through the Conventional and Sharia segments. The company was established in 1897 under the name of Postpaarbank. It is headquartered in Jakarta, Indonesia. Bank Tabungan Negara focuses on housing finance and helps Indonesian people in turning their vision into reality when it comes to having the dream house. Its products include fund products, credit products, and services. BTN went public in 2009 to earn more capital.

![Bank BTN Logo](image)

Figure 4.1: Company Logo of Bank Tabungan Negara

4.1.1 History

In 1897, BTN was founded by the name “Postpaarbank” during the reign of the Dutch. In 1963, the name became Bank Tabungan Negara. In 2002, it was designated
as a commercial bank that focuses on commercial home finance. In 1989, it was first operated as a commercial bank and started to issue bonds. In 2009 three big events that happened were Bank BTN conducted an Initial Public Offering (IPO) and listing on Indonesia Stock Exchange, Bank BTN became the 9th largest bank in terms of total loans, and Bank BTN becomes one of the 10 largest banks in terms of total assets.

4.1.2 Goals

![Figure 4.2: Goals of Bank Tabungan Negara in 2017](image)

The figure above shows the goals of Bank Tabungan Negara that should be achieved in 2017.

4.1.3 Vision and Mission

**Vision:** To be a leading bank in housing finance
Mission:

1. To provide innovative products and services and superior services that focus on housing finance and savings.
2. To develop quality and high integrity human capital and the implementation of Good Corporate Governance and Compliance.
3. To increase competitive advantage through the latest Information Technology.
4. To show concern for the interest of society and the environment.

4.1.4 Corporate Values and Culture

Bank Tabungan Negara tbk has 6 values principles with 12 cultures. These are:

Corporate Values

*Service Excellence:* Providing services that exceed customer expectations (internal and external).

*Innovation:* Constantly developing new ideas and ongoing improvements to add value to the company.

*Exemplary Behavior:* Starting with yourself, exemplary in behavior that reflects cultural work values of Bank BTN for employees and related parties.

*Professionalism:* Being competent in the field and continue to self-development resulting in the best performance and deliver added value for the company and all employees of Bank BTN.

*Integrity:* Being consistent between thoughts, words and actions in accordance with the provisions of the company, professional code of conduct, and principles of commendable truth.
Cooperation: Building a genuine and open relationship with fellow employees of Bank BTN and other parties based on mutual trust and respect to achieve a common goal.

Corporate Culture
Friendly and courteous
Caring, proactive and responsive
Has initiative to make improvement
Oriented to creating added value
Being an example in behaving good and true
Motivate the application of work culture values
Competent and responsible
Work smart and thorough
Consistent and disciplined
Honest and dedicated
Sincere and open
Mutual trust and respect

4.1.5 Business Segments

Figure 4.3: Business Segments of Bank Tabungan Negara
The picture above shows that there are three business segments of Bank BTN. It includes mortgage & consumer banking, housing & commercial banking, and sharia banking.

4.1.6 Corporate Products

Below is the list of some of the products that are provided by Bank Tabungan Negara.

![Consumer Products of Bank Tabungan Negara](image)

Figure 4.4: Consumer Products of Bank Tabungan Negara
4.1.7 Network
Bank BTN has an extensive and unique distribution network. In 2012 Bank BTN has a total of 3 regional offices, 65 branch offices, 223 sub-branch offices, 415 cash offices, 22 Sharia branch offices, 21 Sharia sub-branch offices, 7 Sharia cash offices, 12 payment points, 1,404 ATMs across Indonesia, as well as providing network access of more than 50,000 ATMs through Link ATMs, Joint ATMs, and ATM Prima. Bank BTN repeated its success by adding its online network of post offices as many as 2,922 outlets, an increased from 2,738 outlets in 2012. Bank BTN will continue to improve its online postal services.

4.2 Data Analysis
It was stated that there will be six variables that will be tested to analyze the financial performance of Bank Tabungan Negara before and after go public. Just as a reminder that the year of 2009 will be omitted since it was the year where Bank Tabungan Negara went public.


4.2.1 NPL

Non-Performing Loan

According to Carter McBride (2015) NPL is the nonperforming loans ratio. Analysts use this ratio to compare lenders. If a lender has a high NPL ratio, the lender will have difficulties with cash flows. This is because many of the loans the company holds have a high probability of not being paid back. The formula of Non-Performing Loan ratio is:

\[
NPL = \frac{\text{Non-Performing Loans}}{\text{Total Credit}} \times 100\% 
\]

If we see the financial statement of Bank Tabungan Negara tbk, the NPL is divided in two parts, which are NPL gross and NPL net. The researcher will use these two variables to analyze the financial performance of BTN. It is suggested that the Non-Performing Loan ratio of a bank intending to go public should be lower than 10%.

NPL Gross

Gross Non-Performing Loan is the broadcast NPL figure, without deductions, although it may not include restricted loans, foreclosed assets, and technically performing special mention loans

The table below shows the ratio of Non-Performing Loan gross three years before go public (2006-2008) and after go public (2010-2012).
The table and the chart of Non-Performing Loan (NPL) Gross shows that the ratio kept decreasing from three years before and after Bank Tabungan Negara go public.
It is a good condition because the lower the number, the better it is. Prudent principles guide Bank BTN in playing its banking intermediary function, which are reflected in its Non-Performing Loan (NPL) ratio which remained stable at 3.26% in the midst of high loan growth throughout 2010.

**NPL Net**

Net Non-Performing Loan means NPLs less applicable loan-loss provisions, or collectively total loan-loss reserves. Some banks may also deduct collateral to diminish nominal.

The table below shows the ratio of Non-Performing Loan net three years before go public (2006-2008) and after go public (2010-2012).

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>2.50%</td>
<td>2.99%</td>
<td>3.40%</td>
<td>3.28%</td>
<td>3.39%</td>
<td>2.22%</td>
</tr>
<tr>
<td>Q2</td>
<td>2.55%</td>
<td>3.08%</td>
<td>3.64%</td>
<td>3.43%</td>
<td>3.65%</td>
<td>2.42%</td>
</tr>
<tr>
<td>Q3</td>
<td>3.41%</td>
<td>3.17%</td>
<td>3.23%</td>
<td>3.48%</td>
<td>3.46%</td>
<td>2.51%</td>
</tr>
<tr>
<td>Q4</td>
<td>1.77%</td>
<td>2.81%</td>
<td>2.66%</td>
<td>2.66%</td>
<td>2.23%</td>
<td>3.12%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10.23%</td>
<td>12.05%</td>
<td>12.93%</td>
<td>12.85%</td>
<td>12.73%</td>
<td>10.27%</td>
</tr>
<tr>
<td><strong>Avg.</strong></td>
<td>2.56%</td>
<td>3.01%</td>
<td>3.23%</td>
<td>3.21%</td>
<td>3.18%</td>
<td>2.57%</td>
</tr>
</tbody>
</table>

Table 4.2: Non-Performing Loan Net of Bank Tabungan Negara (2006-2012)
By the end of the year of 2006 through 2011, Bank Tabungan Indonesia was able to maintain low non-performing loans ratio (net) which means that the level of growth was stable. Non-Performing Loan of Bank BTN stayed at 2.66% in 2010. With this kind of movement, Bank Tabungan Negara would reduce the credit risk and the possibility of losses occurred from the impairment of loans. The Non-Performing Loan also decreased from 2.66% in 2010 to 2.23% in 2011. Again, this shows that BTN’s risk of uncollectable loans decreased.

The data above shows the significant increase of Non-Performing Loan from 2.23% in 2011 to 3.12% in 2012, which is not a good sign. The bank has always been performing aging analysis of assets and calculating provision for impairment losses from uncollectable loans. This action is required to be done due to cover if there are any losses caused by uncollectable loans and productive assets. In this case provision has been recognized as a part of operating cost for the period. The management of Bank BTN believed that their decision to establish the provision was sufficient way to cover losses that may occur due uncollectable loans.
4.2.2 LDR

Loan-To-Deposit Ratio

According to Sara Melone (2015) LDR is a measure of a financial institution's liquidity. The ratio is an expression of how much money a bank or other financial institution retains in deposits compared to the total amount of outstanding loans. It may also be expressed as the total percentage of loans funded through deposits. If the ratio is too high, it means that banks might not have enough liquidity to cover any unforeseen fund requirements; if the ratio is too low, banks may not be earning as much as they could be. The formula of Loan to Deposit Ratio is:

\[
LDR = \frac{Total\ Credit}{Third-party\ Funds} \times 100\ %
\]

This ratio is a part of liquidity ratio of a bank. It is often used to determine the lending practices of financial institutions. Loans to banks, customers’ net loans, lease or other loans and mortgages are included in total credit. On the other hand, customers’ deposits, central bank deposits, and other deposits are considered as third-party funds. (Accuity.com)

The ratio of Loan to Deposit needs to be just right because if the ratio is too high, it means that banks might not have enough liquidity to cover any unforeseen fund requirements because it probably give out too many loans but the deposits that come in not enough. If the ratio is too low, banks may not be earning as much as they could be because the more loans a bank gives out, the more interest income it will get and that means more earnings.

Loan-to-Deposit ratio is one of the most venerable ratios in banking but has lost some of its importance in recent years. The ratio reflects the bank’s ability to fund its loan growth with core deposits rather than borrowed funds. (Grier, 2007) In this case,
high ratio means low liquidity. As in 2014, statutory reserves required a minimum of 78% of LDR.

The table below shows the ratio of LDR three years before go public (2006-2008) and after go public (2010-2012).

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>80.07%</td>
<td>85.62%</td>
<td>96.29%</td>
<td>113.97%</td>
<td>110.33%</td>
<td>102.77%</td>
</tr>
<tr>
<td>Q2</td>
<td>81.47%</td>
<td>89.30%</td>
<td>99.60%</td>
<td>116.04%</td>
<td>110.85%</td>
<td>108.3%</td>
</tr>
<tr>
<td>Q3</td>
<td>83.76%</td>
<td>93.44%</td>
<td>107.43%</td>
<td>114.30%</td>
<td>112.27%</td>
<td>110.44%</td>
</tr>
<tr>
<td>Q4</td>
<td>83.75%</td>
<td>92.38%</td>
<td>101.83%</td>
<td>108.42%</td>
<td>102.57%</td>
<td>100.90%</td>
</tr>
<tr>
<td>Total</td>
<td>329.05%</td>
<td>350.74%</td>
<td>405.15%</td>
<td>452.73%</td>
<td>436.02%</td>
<td>422.41%</td>
</tr>
<tr>
<td>Avg.</td>
<td>82.26%</td>
<td>87.69%</td>
<td>101.29%</td>
<td>113.18%</td>
<td>109.01%</td>
<td>105.60%</td>
</tr>
</tbody>
</table>

Table 4.3: Loan to Deposit of Bank Tabungan Negara (2006-2012)
The chart above shows the impressive growth from the year of 2006 to 2010 of Bank BTN’s Loan to Deposit, with gradual and measurable increase level. The ratio of Loan to Deposit kept increasing to 108% in 2010 because the bank’s ability in distributing funds deposited within the bank. The increase happened in 2010 incurred because BTN increased its housing loans portfolio. That ratio shows that BTN has reinforced its commitment to taking an active role as a banking sector intermediary directing our focus toward housing finance. This increase also shows that BTN has good liquidity that all of the third parties deposits were managed in the productive assets. In addition, in 2010 the government’s minimum requirement was 69.55% and the data of LDR was above 69.55%. It means that BTN has complied with Bank Indonesia Regulation to maintain its liquidity.

In 2011, the data shows a 5% decrease prior to the year of 2010. This decline caused by the increase of the deposits as the financing resources was higher that the increase loans as the assets in 2011. From the data provided, there is a 2% decrease in 2011 and 2012. This change happened because the increase in loans ratio and deposits ratio and as a result the loan to deposit ratio to decrease. In the end, the bank was still able to maintain the ratio of Loan to Deposit above the minimum average of 69.55% where it means that the bank has met and complied with the liquidity standards set by Bank Indonesia in order to mitigate liquidity risk for banks.

4.2.3 NIM
Net Interest Margin
According to Noriega (2002), net interest margin measures all interest earned and collected from loans and investments less the cost of funds. NIM examines how successful a firm's investment decisions are compared to its debt situations. A negative value denotes that the firm did not make an optimal decision, because
interest expenses were greater than the amount of returns generated by investments. The formula of Net Interest Margin is:

\[
\text{NIM} = \frac{(\text{Interest Income} - \text{Interest Expenses})}{\text{Earning Assets}} \times 100 \%
\]

The net interest margin indicates how successful the bank has been in borrowing funds from the cheapest sources and in maintaining an adequate spread between its returns on loans security investments and the cost of its borrowed funds. When the Net Interest Margin rises, some possibilities that might have happened include the average cost of funds must be falling or loan and security income must be raising or both. It is not a good situation where a bank has a declining Net Interest Margin (NIM) because usually the bank’s interest spread is being squeezed. This situation usually happens when the interest costs on deposits and other borrowings rises.

From the formula of Net Interest Margin, the reader could see that the base of the formula is the earning assets. These earning assets include loans, leases, and investments. A bank’s management is required to maintain the quality and quantity of these earning assets. The measure the effectiveness of a bank’s intermediation function of borrowing and lending money, it can be observed from its earnings spread. (Chapter 5, Westga.edu) Net interest margin measures how well a bank manages its assets and liabilities is affected by the spread between the interest earned on the bank’s assets and the interest costs on its liabilities. A bank will be considered a healthy bank if its Net Interest Margin ratio is above 5%.

The table below shows the ratio of Net Interest Margin three years before go public (2006-2008) and after go public (2010-2012).
Table 4.4 shows that before or after going public the ratio of Bank Tabungan Negara’s Net Interest Margin has the average of 5 point-something percent. It was
previously explained that a bank needs to avoid negative ratio of net interest margin. From the table above, the reader could see that Bank Tabungan Negara has been able maintaining good Net Interest Margin ratios during three years before and after going public.

The chart above shows the movements of Net Interest Margin ratios year to year before and after Bank Tabungan Negara go public. The table and the chart show that there is a decrease from 5.31% to 5.08% between 2006 and 2007. This decrease caused by the decrease of interest income and interest expense. In 2010, there is a high jump of the Net Interest Margin ratio. The ratio was up to 5.93%, due to the competitive trend of loan interest rates ensuing intense competition in the banking sector. To reduce maturity mismatch and increase its Net Interest Margin, BTN’s strategy was to diversify its non-housing loans.

The chart above shows that the amount of Net Interest Margin decreased from 5.93% in 2010 to 5.75% in 2011. The decrease was caused by that the Bank strategy to keep maintaining interest rate for at least equal with the prior year interest rate, although the BI Rate was higher 0.25%. On the good side, BTN was capable to maintain the Net Interest Margin above 5%.

Table 4.4 shows that Net Interest Margin increased from 5.75% in 2011 to 5.83% in 2012. The bank kept doing its best efforts to maintain the Net Interest Margin level above 5%. In 2012, the bank also experienced significant growth in assets, where the effect was a significant increase in loan portfolio as basis for interest income calculation.
4.2.4 ROA
Return on Assets

According to Beaver (2011), ROA is a measure of the profitability of the assets. Also according Lafferty (2011), ROA measures the financial effectiveness of the utility.

The formula of Return on Assets is:

\[ \text{ROA} = \frac{\text{Profit before Tax}}{\text{Total Assets}} \times 100 \% \]

From the formula showed above, the indicators used in analyzing the return on assets in a bank are profit before tax, which is in financial statement usually called net income, and the total assets. Return on Assets provides useful information about bank profitability. Return on Assets ratio illustrates how well management is employing the company’s total assets to make profit. The higher the return, the more efficient management is in utilizing its asset base. In addition, under the terms of Bank Indonesia, the standard of good ROA is about 1.5 percent (BI Circular Letter No.6/23IDPNP May 31, 2004).

There are five most important components of Return on Assets and aspects of a financial institution’s performance they reflect. (Chapter 5, westga.edu)

1. First is noninterest income less noninterest expenses divided by total assets. This calculation indicates the ability of management to control salaries and wages and other noninterest costs and generate net income.
2. Second is total interest income less total interest expense divided by total assets. This calculation is important to measure a bank’s success at intermediating funds between borrowers and lenders.
3. Third is net income before taxes divided by total assets. This one measures operating efficiency and expense control.
4. Forth is provision for loan losses divided by total assets. This ratio measures management’s ability to control loan losses and manage a bank’s tax exposure.

5. Fifth is applicable taxes divided by total assets. This last one is an index of tax management efficient and expense control.

The table below shows the ratio of Return on Assets three years before go public (2006-2008) and after go public (2010-2012).

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<tbody>
<tr>
<td><strong>Q1</strong></td>
<td>2.28%</td>
<td>2.31%</td>
<td>1.67%</td>
<td>1.94%</td>
<td>1.93%</td>
<td>1.99%</td>
</tr>
<tr>
<td><strong>Q2</strong></td>
<td>1.76%</td>
<td>1.86%</td>
<td>1.90%</td>
<td>1.92%</td>
<td>1.85%</td>
<td>1.98%</td>
</tr>
<tr>
<td><strong>Q3</strong></td>
<td>1.91%</td>
<td>1.86%</td>
<td>1.73%</td>
<td>1.93%</td>
<td>1.77%</td>
<td>2.01%</td>
</tr>
<tr>
<td><strong>Q4</strong></td>
<td>1.78%</td>
<td>1.89%</td>
<td>1.80%</td>
<td>2.05%</td>
<td>2.03%</td>
<td>1.94%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7.73%</td>
<td>7.92%</td>
<td>7.10%</td>
<td>7.84%</td>
<td>7.58%</td>
<td>7.92%</td>
</tr>
<tr>
<td><strong>Avg.</strong></td>
<td>1.93%</td>
<td>1.98%</td>
<td>1.78%</td>
<td>1.96%</td>
<td>1.90%</td>
<td>1.98%</td>
</tr>
</tbody>
</table>

Table 4.5: Return on Assets of Bank Tabungan Negara (2006-2012)
From the table above, the researcher could observe that the ratio from year to year in each quarter reached the minimum ratio of return on assets. The table shows the beginning of 2006 and 2007 the ratio of Return on Assets was at the peak. But in the beginning of 2008, the year before the bank went public, the ratio of Return on Assets dropped down. The data shows that Return on Assets decreased from 1.89% in 2007 to 1.80% in the end of 2008. And then, after the IPO, the ratio of Return on Assets became more stable in the beginning of the first three years after the IPO.

The chart above shows that the Return on Assets ratios of Bank Tabungan Negara was higher after it went public. It also shows that the average of Return on Assets ratio is more stable than the years before the IPO. There is also a noticeable change before (2008) and after (2010) the IPO. This increase was caused by the increase of Bank BTN’s net income.

The amount of Return on Assets just a little bit decreased from 2.05% in 2010 to 2.03%. This insignificant decrease was caused by the increase of Bank’s profit at 2011 also followed by the increased of assets in 2011. In 2012, this ratio decreased from 2.03% to 1.94%. This situation happened because there was an increase in net profit in 2012 followed by significant increase in total assets in 2012.

4.2.5 ROE

Return on Equity

According to Hoque (2006), ROE is a theoretically popular measure, primarily because it takes into account a firm’s liabilities and pays homage to the dispersed ownership represented by shareholders. The formula of Return on Equity is:
ROE = \frac{Net\ After\ Tax\ Income}{Equity\ Capital} \times 100\ %

The principal components of ROE includes the net profit margin or net after-tax income to operating revenues which reflects the effectiveness of a bank’s expense control program, the degree of asset utilization or ratio of operating revenues to total assets which measures the effectiveness of managing the bank’s assets, and the equity multiplier or ratio of total assets to total equity capital which measures a bank’s use of leverage in funding its operation.

When there is Return on Assets, there will be Return on Equity. In comparison, the bank’s owners (equity holders) usually care about the Return on Equity ratio the most. Obviously, they are more concerned about how much the bank is earning on their equity investment. This kind of information is measured by the Return on Equity. This calculation measures how much the shareholders earned for their investment in the company. The higher the ratio, the more efficient management is in utilizing its equity base and the better return is to investors. To get the best result of the Return on Equity analysis, comparisons between industry, peer company and overall market can be done. However, in some type of business Return on Equity might slightly different. In general, to show attractive levels of investment quality, financial analysts consider Return on Equity ratios in the 15-20% range.
The table below shows the ratio of Return on Equity three years before go public (2006-2008) and after go public (2010-2012).

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</thead>
<tbody>
<tr>
<td>Q1</td>
<td>32.55%</td>
<td>29.22%</td>
<td>20.09%</td>
<td>13.85%</td>
<td>15.73%</td>
<td>17.19%</td>
</tr>
<tr>
<td>Q2</td>
<td>19.17%</td>
<td>23.25%</td>
<td>19.38%</td>
<td>14.35%</td>
<td>15.34%</td>
<td>18.43%</td>
</tr>
<tr>
<td>Q3</td>
<td>24.77%</td>
<td>22.54%</td>
<td>19.42%</td>
<td>14.59%</td>
<td>15.03%</td>
<td>19.06%</td>
</tr>
<tr>
<td>Q4</td>
<td>23.36%</td>
<td>20.68%</td>
<td>19.64%</td>
<td>16.67%</td>
<td>17.65%</td>
<td>18.23%</td>
</tr>
<tr>
<td>Total</td>
<td>99.85%</td>
<td>96.65%</td>
<td>78.53%</td>
<td>59.46%</td>
<td>63.75%</td>
<td>72.91%</td>
</tr>
<tr>
<td>Avg.</td>
<td>24.96%</td>
<td>23.92%</td>
<td>19.63%</td>
<td>14.87%</td>
<td>15.94%</td>
<td>18.23%</td>
</tr>
</tbody>
</table>

Table 4.6: Return on Equity of Bank Tabungan Negara (2006-2012)
A look at table 4.6, the reader might be seeing big changes in Return on Equity ratio before and after Bank Tabungan Negara go public. A look on chart 4.6 could give the reader a picture of movement of Return on Equity ratio three years before the IPO and three years after the IPO. Three years before the IPO have the average of around 20 percent. Then, three years after the IPO have the average of below 20 percent. From the chart, the readers could see that the Return on Equity was decreasing from 2006 to 2008. The calculation is based on net profit after tax.

Return on Equity declined from 23.36 % in 2006 to 21.54% in 2007. Same thing happened in 2007 and 2008. Return on Equity decreased from 21.54% in 2007 to 19.64% in the end of 2008. This decline happened when the value of equity increased and it was bigger than the retained earnings causing the ratio to decrease. But in 2010, Return on Equity seems to show improvements. That increase was caused by the increase of BTN’s net income in 2010. The ratio increased from 16.56% in 2010 to 17.65% in 2011. The increase was caused by the growth of net profit in 2011. In 2012, there was an increase from 17.65% in 2011 to 18.23% in 2012. This increase happened due to the growth in net profit in 2012.

As it was stated before where financial analysts consider Return on Equity ratios in the 15-20% range shows attractive levels of investment quality, table 4.6 shows that Bank Tabungan Negara was able to maintain its good performance of its Return on Equity by maintaining Return on Equity ratio above 15% at the end of the years of 2006 to 2012.

### 4.2.6 CAR

**Capital Adequacy Ratio**

According to Nejati (2010), CAR is a measure of the amount of a bank’s capital expressed as a percentage of its risk weighted credit exposure and the purpose of having a minimum CAR is to ensure that banks can absorb a reasonable level of
losses before becoming insolvent and before depositors funds are lost. The formula of Capital Adequacy Ratio is:

\[ \text{CAR} = \frac{\text{Capital}}{\text{Risk-Weighted Exposures}} \times 100 \]

Capital adequacy ratio is one of the measures which ensure the financial soundness of banks in absorbing amount of loss. As we know that capital is a very important thing for any business especially for banks. Plenty of capital and high capital adequacy ratio make a good bank. Capital Adequacy Ratio is the ratio which protects against excess leverage, insolvency and keeps banks out of difficulty. Capital adequacy is an important parameter for judging the strength and soundness of banking system. For banks, there are minimum capital requirements to ensure that the bank is on a good position. Since Capital Adequacy Ratio measure the bank’s capital ability to handle risks, then higher the Capital Adequacy Ratio ratio the bank has, then the greater the level of unexpected losses it can absorb before becoming insolvent.

There are three kinds of risks that included in capital adequacy ratio formula. Those will be explained below.

**Credit Risk**
Credit exposures arise when a bank lends money to a customer or buy a financial asset or has any other arrangement with another party that required that party to pay money to the bank. When the bank is not able to recover the money it is owed, then it is when it becomes credit risk. Credit risks are affected by the financial strength of the party owing the money to the bank. It is also affected by market factors; for example is a mortgage. In addition, when calculating credit risk, the amount of capital needed is determined by multiplying risk-weighted assets by 8 per cent.
Market Risk
Market risk is defined as the risk of losses in on- and off-balance sheet positions that arise from shifts in market prices. Market risk can arise from the full range of banking activities. Most of the time market risk happens in trading activities. According to Beverly Hirtle, a vice president at the Federal Reserve Bank of New York, market risk sensitivity is an important feature from a capital perspective. He also wrote that in regulatory report, a bank requires to report their minimum regulatory capital requirement for market risk. A banking institution’s overall minimum regulatory capital requirement equals the sum of its requirement for credit and market risk. Calculating the market risk and credit risk is different. To calculate credit risk, it will be multiplied by 8, but then when market risk added, the market risk capital charge must be multiplied by 12.5.

Operational Risk
Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Three methods are proposed for calculating the operational risk capital requirement, as follows.

First is the basic indicator approaches. Second is the standardized approach. Third is the loss distribution approach.

A circular letter from Capital Bank (Surat Edaran Bank Indonesia No. 26/5/BPPP) on October 1998 said that the level of Capital Adequacy Ratio classified in three groups. “A” classification is a healthy bank where it has more than 8 percent of CIA. “B” classification or called Bank Take Over where it has ratio between 8 percent and -25 percent. This kind of bank will need help to be a healthy bank. “C” classification is bank that cannot operate anymore because it has less than -25 percent of Capital Adequacy Ratio.
The table below shows the ratio of Capital Adequacy Ratio (CAR) calculated with credit risk and market risk three years before go public (2006-2008) and after go public (2010-2012).

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>20.93%</td>
<td>18.90%</td>
<td>20.54%</td>
<td>20.20%</td>
<td>17.31%</td>
<td>16.89%</td>
</tr>
<tr>
<td>Q2</td>
<td>18.07%</td>
<td>17.75%</td>
<td>19.81%</td>
<td>18.71%</td>
<td>15.85%</td>
<td>15.59%</td>
</tr>
<tr>
<td>Q3</td>
<td>17.91%</td>
<td>16.77%</td>
<td>16.85%</td>
<td>16.99%</td>
<td>15.44%</td>
<td>15.22%</td>
</tr>
<tr>
<td>Q4</td>
<td>17.52%</td>
<td>21.86%</td>
<td>16.14%</td>
<td>16.74%</td>
<td>15.03%</td>
<td>17.69%</td>
</tr>
<tr>
<td>Total</td>
<td>74.43%</td>
<td>74.54%</td>
<td>73.34%</td>
<td>72.64%</td>
<td>63.63%</td>
<td>65.39%</td>
</tr>
<tr>
<td>Avg.</td>
<td>18.61%</td>
<td>18.64%</td>
<td>18.34%</td>
<td>18.16%</td>
<td>15.91%</td>
<td>16.35%</td>
</tr>
</tbody>
</table>

Table 4.7: Capital Adequacy Ratio of Bank Tabungan Negara (2006-2012)
Chart 4.7: Capital Adequacy Ratio of Bank Tabungan Negara (2006-2012)

From the table 4.7, the numbers in table show that Capital Adequacy Ratio ratios before and after the IPO are much higher than 8 percent which is the minimum requirement. It shows that Bank BTN’s management was capable to manage its capital to cover the market risk and credit risk. Therefore, Bank BTN has complied with the BI regulation. If the readers look closely, the ratio of Capital Adequacy Ratio was decreasing after Bank Tabungan Negara went public but then increased in 2012. Capital Adequacy Ratio with market risk and credit risk in the end of 2008 reached 16.14%, as compared to 21.86% in the end of 2007. The decrease of Capital Adequacy Ratio shows an increase in the earning assets.

Next, there is a slight increase in 2010. Aggressive loan expansion in 2010 caused Bank BTN ratio of Capital Adequacy Ratio changed to 16.74%. But then in 2011, the ratio decreased. This decrease was caused by the significant increase of productive assets. As it was stated previously that the minimum Capital Adequacy Ratio requirement for a bank was 8%, BTN was still able to maintain the ratio above the
minimum requirement. This performance means that the bank was still capable to cover the market risk and credit risk.

From the data provided, it shows that there is an improvement in Capital Adequacy Ratio in 2012. This improvement was primarily caused by the increase in BTN’s capital due to the additional capital derived from the implementation of a rights issue. But in the end, that ratio in 2012 was above 8% where it means that the bank has managed well bank capital and sufficient capital to protect itself against solvency risk.

4.3 Interpretation of Results
In previous section, there was data that was provided to be analyzed and here is the interpretation of results of each problem statements that were mentioned in chapter 1.

There is no different in Non-Performing Loan Gross ratio before and after Bank Tabungan Negara go public but there is a different in Non-Performing Loan Net ratio before and after Bank Tabungan Negara go public.

In BTN financial statements, the report of Non-Performing Loan divided into two types of Non-Performing Loan. These two are Gross Non-Performing Loan and Net Non-Performing Loan. The data shows that the Non-Performing Loan ratio is different year to year before and after Bank Tabungan Negara go public which in this case the researcher chose three years before the IPO (2006-2008) and three years after the IPO (2010-2012).

1. Gross Non-Performing Loan
In 2006, the ratio of Non-Performing Loan was decreasing from the first quarter to the last quarter. At the end of 2006, the NPL ratio was at 3.91%. Same thing happened in 2007. The ratio of Non-Performing Loan was also decreasing from the
first quarter to the last quarter with a ratio of Non-Performing Loan at 4.05% at the end of the year of 2007. In 2008, the ratio was still decreasing from 4.59% to 3.20%. And then, after di IPO, in 2010 the situation where the ratio of Non-Performing Loan declined from the first quarter to the last quarter also happened. It was at 4.00% in the beginning of 2010, then decrease to 3.26% at the end of the year. In the beginning of 2011, the ratio did not change much from the beginning of 2010. But at the end of 2011, the number changed to 2.75%. In 2012 is a different story because unlike the other years before, the beginning of the year, the ratio of Non-Performing Loan was at 3.22%, but then increased to 4.09%. Those years when Bank BTN had the higher ratios mean that the bank had high numbers of loans that had not been paid off by the borrowers. In the last three years before the IPO, the Non-Performing Loan ratios were higher than the first three years after the IPO. Overall, Bank BTN was able to keep the ratio lower year by year. From this information, the researcher can conclude that there is no different in Non-Performing Loan Gross ratio before and after Bank Tabungan Negara go public.

2. Net Non-Performing Loan

In 2006, the ratio of Non-Performing Loan was decreasing from the first quarter to the last quarter. At the end of 2006, the NPL ratio was at 1.77%. Same thing happened in 2007. The ratio of Non-Performing Loan was slightly decreasing from the first quarter to the last quarter with a ratio of Non-Performing Loan at 2.81% at the end of the year of 2007. In 2008, the ratio was still decreasing from 3.40% to 2.66%. And then, after di IPO, in 2010 the situation where the ratio of Non-Performing Loan declined from the first quarter to the last quarter also happened. It was at 3.28% in the beginning of 2010, then decrease to 2.66% at the end of the year. In the beginning of 2011, the ratio changed a little bit from the beginning of 2010. But at the end of 2011, the number changed to 2.23%. In 2012 is a different story because unlike the other years before, the beginning of the year, the ratio of Non-Performing Loan was at 2.22%, but then increased to 3.12%. Similar with Gross
Non-Performing Loans, the high ratios that Bank BTN had were caused by high amount of uncollectable loans. Overall, the change on BTN’s Net Non-Performing Loan was that the ratio decreased after the IPO. From this information, the researcher can conclude that there is a different in Non-Performing Loan Net ratio before and after Bank Tabungan Negara go public.

There is a different in Loan to Deposit Ratio before and after Bank Tabungan Negara go public.
In 2006, the ratios of Loan to Deposit ratio were increasing from the beginning of the year to the end of the year. It was 80.07% for the first quarter, and 83.75% at the last quarter. Same thing happened in 2007. The ratios decreased from 85.62% to 92.38%. In 2008, the ratio of Loan to Deposit also increased from 96.29% to 101.83%. After the IPO, in 2010 the ratios started to show some changes. Where before the IPO, the ratios increased from the beginning of the year to the end of the year, and after the IPO, the ratios decreased from the beginning of the year to the end of the year. In 2010, the first quarter had the ratio of 113.9% and the last quarter had the ratio of 108.42%. In 2011, the beginning of the year showed a ratio of 110.33% and the ratio at the end of the year as 102.57%. Lastly, in 2012, the first quarter showed a ratio of 102.77% and 100.90% for the last quarter. The increase that happened after the IPO was caused by the strategy of Bank BTN that was increasing its housing loans portfolio. For the changes in Loan to Deposit ratio is obvious that there is a different in Loan to Deposit before and after Bank Tabungan Negara go public.

There is no different in Net Interest Margin before and after Bank Tabungan Negara go public.
In the beginning of 2006, Net Interest Margin ratio of Bank Tabungan Negara was 5.08% when the end of the year was 5.13%. In the beginning of 2007, the ratio was 5.13% with 5.31% for the ratio at the end of the year. Then, in 2008, the first quarter showed a small change compared to the pattern of the previous two years. The year
right before the IPO, the ratio of Net Interest Margin decreased from the first quarter (5.42%) to the last quarter (5.08%). A year after the IPO, the ratio of Net Interest Margin returned to the beginning pattern that was increasing from the beginning of the year to the end of the year. Now, the ratio in the beginning of 2010 was 5.57% and the ratio at the end of 2010 was 5.93%. In 2011, the ratio the ratio in the beginning of 2011 was 5.69% and the ratio at the end of 2010 was 5.75%. At the end of 2012, the ratio of Net Interest Margin was higher than the ratio at the end of 2011. This improvement shows that after the IPO Bank BTN was able maintaining an adequate spread between its returns on loans security investments and the cost of its borrowed funds. Overall, the researcher can conclude that there is no different in Net Interest Margin before and after Bank Tabungan Negara go public.

There is no different in Return on Assets before and after Bank Tabungan Negara go public.

In the beginning of 2006, the ratio of Return on Assets was 2.28% and at the end of 2006 the ratio was at 1.78%. Similar like the year before, next in the year 2007, the ratio decreased from the beginning of the year (2.31%) to the end of the year (1.89%). But a year before the IPO, the ratio increased from the beginning of 2008 (1.67%) to the end of 2008 (1.80%). The change kept happening through a year right after the IPO where the first quarter of 2010 the ratio of Return on Assets was 1.94% and the last quarter was 2.05%. The pattern kept going through the year of 2011. The ratio of Return on Assets at the beginning of the year was 1.93% and the end of the year was at 2.03%. Overall observation is resulting in that the Return on Assets ratio of the years after IPO was higher compare to years before the IPO. From this information, the researcher can conclude that there is no different in Return on Assets before and after Bank Tabungan Negara go public.

There is a different in Return on Equity before and after Bank Tabungan Negara go public.
In the beginning of 2006, the ratio of Return on Equity was 32.55% and at the end of the year was at 23.36%. The decrease from the first quarter to the last quarter also happened in 2007. The first quarter had a ratio of 29.22% and the last quarter had a ratio of 20.68%. Same thing happened in 2008. The ratio of Return on Equity in the beginning of 2008 was at 20.09% and the end of the 2008 was at 19.64%. Like other kind of ratios, there was also a change of pattern in the ratios. In 2010, the beginning of the year the ratio was 13.85% and at the end of the year, the ratio increased to 16.67%. Again in 2011, the ratio of Return on Equity increased from 15.73% to 17.65%. Lastly, in the beginning of 2012, the ratio still had the same pattern where it increased from the first quarter (17.19%) to the last quarter 18.23%). The pattern of the ratio changes in a year was different before and after the IPO. Also, the ratios at the end of the years before IPO were higher compared to the years after the IPO. The researcher now can conclude that there is a different in Return on Equity before and after Bank Tabungan Negara go public.

There is a different in Capital Adequacy Ratio before and after Bank Tabungan Negara go public.

In the beginning of 2006, Capital Adequacy Ratio of Bank BTN was 20.93% and at the end of the year it was 17.52%. The data showed that the changes of the ratio were not stable. In 2006, the ratio of first quarter decrease to the last quarter. Then, in 2007, the movement changed. The ratio in the beginning of 2007 was 18.90% increased to 21.86% at the end of 2007. Next, in 2008, the ratio back to decreasing from 20.54% to 16.14%. After the IPO, in 2010, the ratio did not seem to change a lot. In the beginning of 2010, the ratio was 20.20% and 16.74% at the end of the year. In 2011, the ratio was still decreasing from the first quarter (17.31%) to the last quarter (15.03%). But then the pattern changed in 2012 where the beginning of the year the ratio (16.89%) increased at the end of the year (17.69%). From the data, the researcher saw that the Capital Adequacy Ratio after the IPO were lower compared to before the IPO. This is caused by the significant increase of productive assets,
especially for housing loans facilities as well as the new regulation based on Circular Letter No. 11/3/DPNP in 2009, where Bank Tabungan Negara went public, that the calculation of Operational risk capital charge is set at 10% of average positive annual gross income during the last 3 years. This regulation was implemented in 2010. In conclusion, the researcher can conclude that there is a different in Capital Adequacy Ratio before and after Bank Tabungan Negara go public.
Chapter V

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

Based on the research about the financial performance of Bank Tabungan Negara before and after go public, the conclusions are obtained as follows:

1. Non-Performing Loan

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</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>4.93%</td>
<td>4.68%</td>
<td>4.05%</td>
<td>3.90%</td>
<td>3.83%</td>
<td>3.61%</td>
</tr>
</tbody>
</table>

There is no different in Non-Performing Loan Gross ratio of Bank Tabungan Negara before and after go public. Non-Performing Loan Gross ratio of Bank Tabungan Negara does not change much after the IPO. Non-Performing Loan Gross ratio performance of Bank Tabungan Negara was good because the consistency of keeping the ratio low.

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</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>2.56%</td>
<td>3.01%</td>
<td>3.23%</td>
<td>3.21%</td>
<td>3.18%</td>
<td>2.57%</td>
</tr>
</tbody>
</table>

There is a different in Non-Performing Loan Net ratio of Bank Tabungan Negara before and after go public. Non-Performing Loan Net ratio performance of Bank Tabungan Negara was better after the IPO and it was good because the consistency of keeping the ratio low.
2. Loan to Deposit Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>82.26%</td>
<td>87.69%</td>
<td>101.29%</td>
<td>113.18%</td>
<td>109.01%</td>
<td>105.60%</td>
</tr>
</tbody>
</table>

There is a different in Loan to Deposit Ratio of Bank Tabungan Negara before and after go public. Loan to Deposit Ratio performance of Bank Tabungan Negara was better after the IPO and it was good because the ratios were above the minimum requirement of 69.55%.

3. Net Interest Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>5.11%</td>
<td>5.20%</td>
<td>5.32%</td>
<td>5.76%</td>
<td>5.60%</td>
<td>5.91%</td>
</tr>
</tbody>
</table>

There is a significant different in Net Interest Margin ratio of Bank Tabungan Negara before and after go public. Net Interest Margin ratio performance of Bank Tabungan Negara did not change after the IPO but the performance was considered good because the ratios were above 5%.

4. Return on Assets

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>1.93%</td>
<td>1.98%</td>
<td>1.78%</td>
<td>1.96%</td>
<td>1.90%</td>
<td>1.98%</td>
</tr>
</tbody>
</table>

There is no different in Return on Assets ratio of Bank Tabungan Negara before and after go public. The ratio was a little bit higher after the IPO. Return on Assets ratio
performance of Bank Tabungan Negara was good because the ratios were above the minimum requirement of 1.5%.

5. Return on Equity

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<tbody>
<tr>
<td>Return on Equity</td>
<td>24.96%</td>
<td>23.92%</td>
<td>19.63%</td>
<td>14.87%</td>
<td>15.94%</td>
<td>18.23%</td>
</tr>
</tbody>
</table>

There is a different in Return on Equity ratio of Bank Tabungan Negara before and after go public. Return on Equity ratio performance of Bank Tabungan Negara was better before the IPO but it was still good because the ratios were above the attractive standard level that ranges from 15% to 20%.

6. Capital Adequacy Ratio

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Capital Adequacy Ratio</td>
<td>18.61%</td>
<td>18.64%</td>
<td>18.34%</td>
<td>18.16%</td>
<td>15.91%</td>
<td>16.35%</td>
</tr>
</tbody>
</table>

There is a different in Capital Adequacy Ratio of Bank Tabungan Negara before and after go public. In conclusion, Capital Adequacy Ratio performance of Bank Tabungan Negara was better before the IPO but the ratios still show good performance because the ratios were exceeds the required minimum of 8%.
5.2 Recommendation

The purpose of this research is to analyze the financial performance of Bank Tabungan Negara before and after go public using financial ratios. It was mentioned earlier that the purpose of going public is to gain more capital to improve the bank’s performance. This research has provided the readers information and explanations of the changes in Bank Tabungan Negara’s financial performance before and after the IPO.

Based on the conclusions obtained in this study, the recommendations proposed as a complement to the results of the study as follows:

1. Capital Adequacy Ratio (CAR) performance of Bank Tabungan Negara seemed to have a little problem because of the declining ratio situation. It is important to have high CAR because it is important for a bank to have high capability to absorb unexpected losses. Since the performance of Bank Tabungan Negara’s Capital Adequacy Ratio (CAR) worsened even after the IPO, next time the bank received new funding, the management should probably manage the fund more appropriately to keep the performance of CAR better in the future even when the risk increases.

2. Loan to Deposit Ratio (LDR) performance of Bank Tabungan Negara decreased after it went public. Although the performance was above the minimum requirement, it is recommended for Bank Tabungan Negara to increase the amount of loan and the amount of deposits at the same time because when the amount of loan is higher than the bank might not have enough liquidity and when the amount of deposit is higher than the bank does not earn as much money.