Conference Paper

Financial Performance Banking Model in Indonesia Before and After Implementation of PBI No. 13/1/PBI/2011: *Risk Profile* Bank Regional Development

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Abstract

The study was conducted at the Regional Development Bank, recorded by Bank Indonesia in the period 2008–2014 by taking a sample of 10 banks. Data collection methods used were literature and documentation. Data were analyzed using multiple linear regression analysis test, two different test proportion. This study aimed to examine the effect of differences in the implementation of the norm of Bank Indonesia Number: 13/1/PBI/2011 that took effect from the beginning of 2012 as compared to before the enactment of the regulation. Variable *Risk Profile* with dimensions of *Credit Risk, Market Risk, Liquidity Risk and Operational Risk* affected the financial performance of the model as a proxy Earning as interest Net Margin (NIM) and Return On Assets (ROA) in the Regional Development Banks. The data used in this study were obtained from the Quarterly Financial Report issued by the Bank Indonesia. The results showed that there were significant differences in variable interest *Risk Profile* to Net Margin (NIM) and Return On Assets (ROA) before and after the application of the Regulation of Bank Indonesia in 2011.

Keywords: Risk Profile, Credit Risk, Market Risk, Liquidity Risk, Operational Risk

1. Introduction

Regional Development Bank (BPD) is one of a group of banks that played a role in moving the regional economy because BPD is as the account holder in the area that serve financing activities for the implementation of the business or project area.

Of all the groups of banks in Indonesia, which has a value of BPD only the most liquid assets. This is due to the many investments made by the central and local governments

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Page 937

as well as due to an unqualified BPD in terms of lending to other parties so that BPD still has many assets.

The problem of non-performing loans which are hindering national banks are undoubtedly also experienced BPD. As a bank whose assets come from local governments, depending on the capabilities loan portfolio management in analyzing the loan application. To earn that trust, banks must strive to improve and maintain its financial performance. The better financial performance, the greater the level of trust given by the customer to save their money in banks. Maintaining the level of trust that is supported on the capabilities and expertise of the managers of the bank.

Based on Bank Indonesia Circular Letter No. 13/24/DPNP dated October 25, 2011 and PBI 13/1/PBI/2011 dated January 5, 2011 on the Assessment of Commercial Banks replaced the previous PBI No. 6/10/PBI/2004 concerning the Rating System forCommercial Banks, the determination of the soundness of banks using four groups of factors: *Risk Profile, Good Corporate Governance, Earnings* or Profitability and *Capital* or capital better known by the acronym RGEC in measuring the scale of operations and capital structure.

Stages of assessment methods RGEC an assessment model that is loaded with risk management. Several principles of general bank rating is used as a basis of risk-oriented, proportionality, materiality and significance, as well as comprehensive and structured. Assessment of the aspects of the risk profile includes eight (8) types of risk shall be assessed by any commercial bank such as credit risk, liquidity, operational, market, legal, compliance, strategic, and reputation.

The risk profile in research is assessed based on the assessment of credit risk, market risk, liquidity risk and operational risk ratio indicators such as Assets Problematic (APB), PPA Productive on assets Productive (PPATAP), *Non-performing Loan Gross* (NPL Gross), *Non-performing Loan net* (net NPLs), net open position (NPA), *Loan to Deposit Ratio* (LDR), Statutory Reserves (GWM), Operating Expenses to Operating Income (ROA) and Return on Equity (ROE). The use of four types of risk can represent and describe the condition of most of the risks that must be assessed by the commercial banks.

Profile factor assessment is an assessment of the inherent risks and the quality of risk management in operational activities. Inherent Risk Assessment is an assessment of the risks inherent in the business activities of the bank, both of which can be quantified or not, which could potentially affect the financial position of the Bank. Assessment of risk inherent conducted with respect to the parameters/indicators that quantitatively and qualitatively.

Risks arise because there is uncertainty and that uncertainty led to the emergence of risks. The empirical results (Lam, 2004) says that in this world everything is uncertain. Stocks, foreign exchange (FX), stock prices, up to pistrik price, certainty is uncertainty itself. Thus the risk is everywhere, covering all the instruments. One of the fatherly way that risk is to look at the types of risk.

Management of the bank's risk management can be done with some risk management processes, namely the process of identifying, monitoring, risk control and risk management information system. Risk identification involves understanding the various risks across the bank's activities undertaken to analyze the sources and causes of risks and impacts [2] in which types of risk are divided into two groups, namely the risk of financial risks and non-financial risks.

This study is limited to one group of conventional banks in Indonesia. The purpose of the study was to determine the effect of the ratios *risk profile* of banks on the performance of groups of regional development banks as measured on *Return on Assets* (ROA) and Net*interest margin (NIM)* before and after the release of Bank Indonesia Regulation No. 13/1/PBI/2011 with the period of 2008–2014.

2. Literature Review

One of the parties who need to know the performance of a bank is the investor because the better the performance of the bank guarantee and security of the invested funds is also getting bigger. By using financial ratios, investors can determine the performance of a bank. This is consistent with the statement Muljono (1999) that the comparison in the form of ratios produce numbers that are more objective, because the performance measurements can be compared with other banks or with the prior period. The company's performance can be viewed through a wide range of variables or indicators. Variable or indicator as the basis of assessment are the financial statements of the company concerned. If the performance of a public company increases, its value will be higher.According to the Indonesia Institute of Accountants (IAI, 1995), the company's performance can be measured by analyzing and evaluating financial statements. Financial position and performance information in the past often used as a basis for predicting the financial position and future performance and other matters that immediately attracted the attention of users such as the payment of dividends, wages, the price movement of securities and the company's ability to meet its commitments as they fall due. Performance is an important thing to be achieved by any

company anywhere, because the performance is a reflection of the company's ability to manage and allocate resources.

As shown in Figure 1 [2], the financial risks include market risk and credit risk are the two pillars of the Basel II being Non-financial Risks are risks refer to the risks that may affect growth the bank's business, sales of products and services, the failure of possible strategies aimed at business growth and so the risk may arise due to failure of management, competition, non-availability of products/services, external factors etc. Operational risk is a part of the non-financial risk is defined as the risk of loss due to the inadequacy or failure of internal processes and systems or due to external events, the implementation of Basel II is a pillar two.

Furthermore, banks need to conduct risk assessment in accordance with the characteristics and complexity of business activities. Credit risk through borrower risk, industry risk and portfolio risk. Market risk is measured on the risk of changes in interest rates, liquidity risk, foreign currency risk and *hedging risk.* While Operational risks include the measurement of strategic risk, capital risk, political risk and legal risks of each banking business. Additionally effectiveness of risk management needs to be supported by risk control taking into account the results of the measurement and monitoring of risk (Bank Indonesia, 2011).

Various Types of Risks		
Financial Risks		Non-financial Risks
Credit Risk	Market Risk	
• Counter Part or Borrower Risk	• Interest Rate Risk	• Operational Risk
• Intrinsic or Industry Risk	• Liquidity Risk	• Strategic Risk
• Or Portfolio Concentration Risk	• Forex Currency Risk	• Funding Risk
	• Hedging Risk	• Political Risk
		• Legal Risk

Figure 1: Chart types of risk based on Basel II. Source: Goyal, Krishna 2010.

Basel II aims to improve the safety and health of the financial system, with emphasis on risk-based capital calculations, *supervisory review process* and *market discipline. Basel II Framework* is based on a *forward-looking approach* that enables improvements and adjustments from time to time. This is to ensure that *the Basel II framework* can keep pace with changes in the marketplace and developments in risk management.

Basel II has three pillars, namely *(1) the minimum capital requirement (2) supervisory review* and *(3) market discipline.* The first pillar is the regulatory *framework* to maintain

a ratio minimum capital adequacy ratio (CAR = Capital Acid Ratio). On one pillar is only calculated based on three main risks of banks, namely *credit risk, operational risk and market risk.* Another risk would be calculated on the pillar II. The second pillar is the calculation of capital allocation for anticipated loss due to risks other risks beyond the pillar 1 such as liquidity risk *(liquidity risk),* strategic risk *(strategic risk),* interest rate risk in the *banking book (interest rate risk in the banking book)* and the risk of risk more. The aforementioned approach is also known as *the Individual Capital Adequacy Assessment Process (ICAAP),* which will be achallenge for banks and supervisors. Pillar III looked actively engage communities in supervising banks deemed also determine that from the beginning of the public are expected to also assess the risks that face and know the level of adequacy of capital held by banks. Pillar III is designed to allow the *market* to get a better picture of the overall risk of the bank and allowed to participate in determining as a *counter part* in the issue *price* and the deal.

Guided by Basel II on the Bank for International Settlements (BIS) there are eight types of risks inherent in the banking industry, but from the experience shows that there are major risks that often appear to be the cause of a bank face many thorny problems. The risks were grouped into four (4) main groups, the risks relating to (1) **Credit Risk** ([1, 3, 8–10]; Hadad, 2000); (2) **Market Risk** ([1, 8, 9]; Hempel, et al., 1994); (3) **Liquidity Risk** ([1, 3, 4, 8, 9]; Hadad, 2003); (4) **Operational Risk;** ([1, 4, 8–10]).
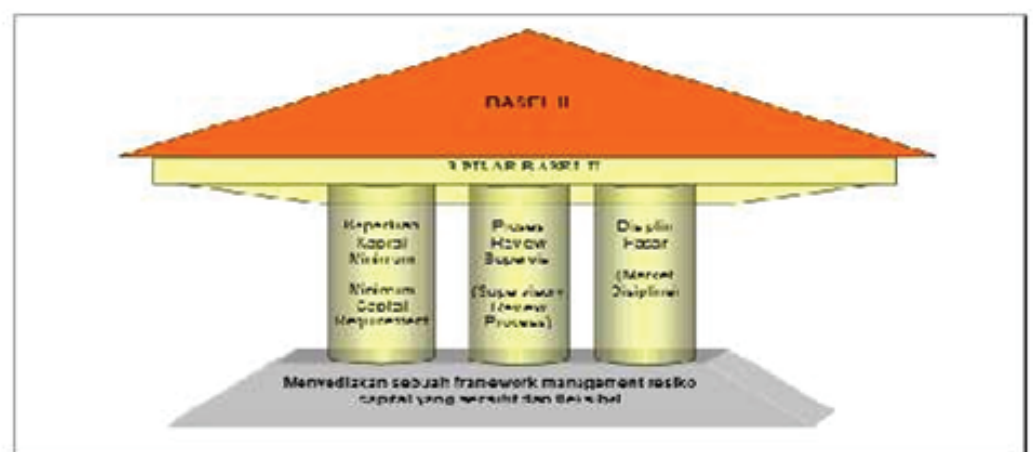

Figure 2: Three pillars of Basel II. Source: Implementation of Basel II, Bank Indonesia.

3. Risk Profile (Risk Profile)

Assessment of the risk factor profile is an assessment of the inherent risk and quality of risk management in Bank operations such as credit risk, market risk, liquidity risk, strategic risk.

3.1. Credit risk

Credit risk is the most significant risks facing the bank, and the success of their business depends on accurate measurement and higher levels of efficiency to managing these risks than other risks (Gieseche, 2004). Credit risk would be faced by the bank when the customer (customer) fails to pay the debt or credit received at maturity.

The amount of loans to the public (customers) reflected in the Loan to Deposit Ratio (LDR). If LDR regulations exceeding the set limit of 100%, this means increased credit risk. The potential for non-payment of debt is high, and this will have an impact on increasing the operational costs of the bank (ROA), so that the bank becomes Market Risk

3.2. Market risk

Market risk is the risk of loss in portfolio value caused by interest rate fluctuations, exchange rate fluctuations, commodity price fluctuations and fluctuations in stock prices. Market risk is the risk of the impact of changes in lending (credit standing out) as a result of economic conditions and competition. Improved economic conditions, where low interest rates will spur the growth of credit, but if the loan interest rate will drop out of high creditstanding. Emerging risks caused by movements in market variables *(adverse movement)* of the portfolio held by the Bank, which can be detrimental bank's efficiency.

3.3. Liquidity risk

Liquidity risk is the risk due to the inability of the bank to meet its maturing obligations of the funding sources of cash flow, and/or of high-quality liquid assets that can be pledged, without disrupting the activities and financial condition of the bank. This risk is also called funding liquidity risk *(funding liquidity risk).* Liquidity risk can also be caused by the inability of the Bank to liquidate assets without being exposed to the material

discount because of the absence of an active market or any market disruption *(market disruption)* were severe. This risk is referred to as the risk of market liquidity *(market liquidity risk).*

Muljono (1995) says that the *liquidity risk* shows the risks faced by banks due to failure to meet obligations to depositors, by means of liquid provided for shall be used by the bank concerned to pay obligations that must be repaid *(callable liabilities).* In this study, *liquidity risk* proxied by liquidity ratio where the higher liquidity ratios of banks are having problems then it is likely the lower (negative). The risk due to the inability of the bank to meet its maturing obligations of the funding sources of cash flow, and/or of high-quality liquid assets that can be pledged, without disrupting the activities and financial condition of the bank is also called funding liquidity risk *(funding liquidity risk).*

3.4. Operational risk

Operational risk is the risk of loss as a result of human actions, processes, infrastructure or technology that have an impact the bank's operations. This risk is included in the activities that lead to fraud *(fraudulent),* mismanagement, inadequate control systems and operational procedures. Technical errors may cause damage to information systems, transaction processing damage, malfunction or ineffectiveness *settlement back-office operation.*

Pandya & Rao (1998), Dietrich & Wanzenried (2011), Bush & Kick (2009) that the lower the risk factors for the higher financial performance. The negative direction between the risk factors on the financial performance provides a signal that if the risk factor decreases to the lower level can describe the increase of the quality of earning assets and occurs efficiency, so that financial performance can be improved.

4. Indicators Research

Pandya & Rao (1998), Dietrich & Wanzenried (2011), Bush & Kick (2009) that the lower the risk factors for the higher financial performance. The negative direction between the risk factors on the financial performance provides a signal that if the risk factor decreases to the lower level can describe the increase of the quality of earning assets and occurs efficiency, so that financial performance can be improved. Under the terms of Bank Indonesia, ROA is the ratio between the total cost of operation with total operating revenues. The efficiency of the operation carried out by the bank in order to

determine whether the bank in its operations related to the core business of the bank, done properly (in accordance with the expectations of management and shareholders) and is used to indicate whether the bank has to use all the factors of production with proper and effective (Mawardi, 2005). Thus the efficiency of the operation of a bank that is proxied by the ROA ratio will affect the performance of the bank. Bank to operate in, of course, could not be separated from a wide variety of risks. Bank business risk is the level of uncertainty about an outcome predicted or expected to be received (Permono, 2000).

Non-performing Loan (NPL) is a financial ratio relating to credit risk. *Non-performing loan* (NPL) or commonly known as the NPL ratio is the ratio used by banks to measure the risk of failure of loan repayment by the debtor. The higher the value of the credit ratio indicates a high risk of failure of loan repayment has been given. Banks with high creditratio values show the obstacles refund with interest given to the debtor so that the higher the banks' ability to earn a profit to be reduced. Thus, the NPL has a negative influence on the profitability of banks. This is evidenced by Bejaoui & Bouzgarrou (2014) in Tunisia.

According to Ali (2006), credit risk is the risk of potential losses of banks as a result of non-payment back bank loans granted to the debtor. *Non-performing loans* is the ratio between the total of non-performing loans to total loans were given to borrowers. Bank is said to have a high NPL if the number of troubled loans is greater than the amount of credit granted to the debtor. If a bank has a high NPL, it will increase the cost, both allowance productive assets and other costs, in other words the higher NPL a bank, then it will affect the performance of the bank.

Net Interest Margin (NIM) reflects the market risk arising from movements in market variables, whereas it could be detrimental to the bank. Based on Bank Indonesia regulations, one proxy for market risk is interest rate, as measured by the difference between the interest rate financing *(funding)* with interest rate loans *(lending)* or in absolute form is the difference between total interest cost of funding with the total cost of borrowing where in banking *terms: Net Interest Margin* (NIM) (Mawardi, 2005). Thus the amount of the NIM will affect the Bank's profit and loss account which ultimately affect the performance of the bank.

Net Interest Margin (NIM) is the ratio of net interest income to average earning assets used. Net interest income is the difference between interest income by interest expense. A high ratio of NIM shows the bank's ability to benefit. The higher the ratio value NIM, the higher the profitability of banks. Conversely, the lower the value NIM ratio, the lower the banks' ability to benefit. Thus, the NIM relationship with the level

of bank profits is positive. This positive effect is evidenced by Alper & Anber (2011) and Bejaoui & Bouzgarrou (2014), although not statistically significant.

Loan to Deposit Ratio (LDR) is a ratio that measures the ability of banks to meet obligations to be fulfilled. So the higher LDR then the bank's profit increases (assuming the bank is capable of lending with effective), with the increase in bank profits, the bank's performance also improved. Thus the large–small LDR ratio of a bank will affect the performance of the bank.

In fact, not all theory as has been described earlier, (where the influence of CAR, NIM, and the LDR is proportional to the ROA and ROA influence, and inversely proportional to the NPL ROA) in line with the available empirical evidence. As happened in the development of the banking industry which are listed on the Jakarta Stock Exchange (JSX), within the period of 2008 through 2014, there is a discrepancy between theory and available empirical evidence.

Bank assets consist of assets (earning assets) and non-productive assets (non-earning assets). Productive assets are assets that can generate revenue. Earning assets investment of bank funds in foreign currency in the form of loans, securities, placement of funds between banks, investment, including commitments and contingencies in administrative account transactions. Non-productive assets are assets that do not generate revenue.

Earning assets to work to earn income on the funds disbursed by the bank. However, the placement of funds in productive assets is also at risk, namely the risk of funds disbursed cannot be returned. The risk of placement in this form may cause harm to the bank. Banks need to establish loss reserves of productive assets, the allowance for uncollectible accounts (PPAP). Thus, the allowance for possible losses are included in this post is established allowance to cover possible risk of losses incurred as a result of unacceptable back part or all of the loans and funds stipulated in other banks, as stipulated in Bank Indonesia regarding allowance for uncollectible accounts (PPAP).

Statutory Reserves (GWM) or the *Reserve Requirement* is the provision of central bank requires banks to maintain a certain amount of liquid instruments *(reserve)* amountingto a certain percentage of current liabilities (Pohan, 2008). As one of the instruments of monetary policy, the determination of the percentage of minimum reserve requirements aim to achieve the final target kebijakanmoneter, namely economic growth and equitable distribution of income, employment, price stability, and the balance of payments.

As stated by Pohan (2008), the smaller the percentage of the reserve requirement, the greater the bank's ability to utilize its *reserve* s to provide loans in larger quantities

to the public. Conversely, the greater the percentage, the less the ability of banks to lend. Thus, the reserve requirement of banks banya determine how to earn money from loans.

Rate Of Return Equity (ROE), Mardiyanto (2009) argues that ROE is the ratio used to measure a company's success in generating profits for shareholders. ROE is considered as a representation of the shareholder or the company's value.

Riyadi (2006) argues that the Return On Equity (ROE) is the ratio between net profit and capital (core capital) of the company. This ratio indicates the percentage that can be generated. ROE is very important for shareholders and potential investors, because of the high ROE means shareholders will receive dividends is also high and rising ROE will cause an increase in stocks.

5. Research Methods

The population in this study include all BPD in Indonesia recorded in Bank Indonesia until the end of 2014, amounting to 10 banks. The data used in this study are secondary data during the period 2008–2014 are sourced from the publication of Bank Indonesia, Balance Sheet and Income Statement. Data were processed using Eviews 9 for each bank BPD was observed for each year from 2008 to 2014. Sampling was based on some financial data banks available through web.www.bi.go.id.

The data in this study using the technique of multiple linear regression analysis by comparing the level of R-squared of each object to determine differences in the ability of the model *risk profile* as the implementation of the norm of Bank Indonesia Number: 13/1/PBI/ 2011 which take effect from early 2012 to *return on Assets* (ROA) and *Net interest Margin (NIM)* as a proxy of financial performance as compared to prior to the enactment of the regulation in the assessment of the performance of the Regional Development Banks.

5.1. Types of research

This type of research in this study is the kind of *explanatory* research (research explanation) that the research that highlights the relationship between the study variables and testing hypotheses previously formulated descriptive with quantitative approach, by providing a description or picture of the problems that have been identified and carried out an intensive and detailed the Regional Development Banks.

5.2. Research hypothesis

Based on the ratio of financial performance model of regional development banks before and after PBI 13/1/PBI/2011 differed significantly.

5.3. Analysis method

Statistical testing is done to see and how big the influence of independent variables on the dependent variable in the model simultaneously *(multiple),* or at least there is one independent variable to explain the dependent variable. From the results of the regression prediction model obtained by the coefficient of determination (R-square) of each logit equation which shows that the ability of the variables in the model in predicting the bankruptcy of commercial banks in Indonesia, while the rest is the magnitude of other factors outside the model.

The F-statistic is used to determine whether all the independent variables included in the regression equation together affect dependent. Pengujian variable is done by comparing the value of F-statistic with the F-table with a significance level α = 1%, α = 5 %, and α = 10%.

5.4. Research variable

As for the variables and measurements in this study are:

X1: earning assets

X2: Allowance for Assets (PPA) to Earning Assets

X3: *Non-performing Loan* (NPL) gross

X4: *Non-performing Loan* (NPL) net

X5: The net open position (NOP)

X6: *Loan to Deposit Ratio* (LDR)

X7: Statutory Reserves (GWM) equivalent

X8: Operating Expenses Operating Income (BOPO)

X9: *Return on Equity* (ROE)

Y1: *Return on Assets* (ROA)

Y2: *Net Interest Margin* (NIM).

6. Results and Discussion

Based on the processed data to each *profile Risk* factors namely *credit risk, market risk, liquidity risk and risk operational* on *Return on Assets (ROA)* using logistic regression on years of research from 2008 to 2011 shows that the banks have a bankruptcy prediction model R-squared of 0.955146. This means that this model affect the establishment of the bank ROA amounted to 95.51%, while the remaining 4.49% is influenced by other factors outside the model. While based on the *F*-statistic test resulted in a coefficient of *F*-Stat (14.19632) > *F*-table at α = 1%. This means that factors in the model together (simultaneously) capable of forming ROA significantly with 99% confidence level. Being on years of research that went into effect PBI 2012–2014 2011 shows that the banks have a bankruptcy prediction model R-squared of 0.996803. This means that this model affect the establishment of the bank ROA amounted to 99.68%, while the remaining 0.32% is influenced by other factors outside the model. While based on the *F*-statistic test resulted in a coefficient of *F*-Stat (69.29200) > LR-table at α = 1%. This means that factors in the model together (simultaneously) capable of forming ROA significantly with 99% confidence level.

TABLE 1: Factors testing results to *Return on Assets* (ROA).

Test result	2008–2011	2012–2014
R-squared	0.955146	14.19632
F-statistic	0.996803	69.29200

Based on the processed data to each *profile Risk* factors namely *credit risk, market risk, liquidity risk and risk operational* against *interest Net Margin (NIM)* using logistic regression on years of research from 2008 to 2011 shows that the banks have a bankruptcy prediction model R-squared of 0.953407. This means that this model affect the establishment of the bank NIM of 95.34%, while the remaining 4.66% is influenced by other factors outside the model. While based on the *F*-statistic test resulted in a coefficient of *F*-Stat (13.64160) > *F*-table at α = 1%. This means that factors in the model together (simultaneously) capable of forming NIM significantly with 99% confidence level. Being on years of research that went into effect PBI 2012–2014 2011 shows that the banks have a bankruptcy prediction model R-squared of 0.996803. This means that this model affect the establishment of the bank NIM of 99.68%, while the remaining 0.32% is influenced by other factors outside the model. While based on the *F*-statistic test resulted in a coefficient of *F*-Stat (69.29200) > LR-table at α =1%. This means that

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Pandya & Rao (1998), Dietrich & Wanzenried (2011), Bush & Kick (2009) that the lower the risk factors for the higher financial performance. The negative direction between the risk factors on the financial performance provides a signal that if the risk factor decreases to the lower level can describe the increase of the quality of earning assets and occurs efficiency, so that financial performance can be improved.

TABLE 2: Factors testing results *Net interest* against *margin* (NIM).

Test result	2008–2011	2012–2014
R-squared	0.953407	13.64160
F-statistic	0.996803	69.29200

This indicates that the bank has successfully implemented its risk management with the implementation of the risk profile indicated by the average value: NPL well for years 2008–2011 and 2012–2014 research rahun that value remains below the specified limit BI 5%, while the average LDR amounted to tahun 2008–2011 67.68% and 72.50% for the years 2012 to 2014, is slightly below the BI requirements in the amount of 78% and ROA of 2008–2011 sebesar 72.15%, and the year 2012–2014 amounting to 72.21% of the value is still below the maximum limit set by BI that is equal to 96%. Can be seen in Table 3.

Banking success in implementing risk management affect the financial performance, as indicated by ROA and NIM which is positive, namely, respectively by 1.62% and 11.73%. A positive value indicated by ROA and NIM means that the bank is able to generate profits in its operations so as to put the bank on its good rating based on the criteria in the assessment of the soundness of the banking system. By using the NIM, the bank can do a good evaluation of the management of the risks that could occur because of the interest rate. With bank NIM will easily run operations healthy and can also easily manage their productive assets. Disbursement of funds from third parties is enough to help the bank to get a higher income, but the bank also must pay attention to how much interest to be paid to the third party.

According to Carey (2001), risk management is more important for financial institutions than other economic institutions. This is because risk management is the main activity for each financial institution (Mokni et al, 2014). Therefore, risk management is the basis of banking practices is prudence. Banking operations revolve around risk management. This is because the bank considered a risky organization that is based

on the fact that the banks take risks, change risks, and embed risk in banking products and services (Arora and Agarwal, 2009).

Therefore, banks are required to apply risk management that includes eight risk, such as credit risk, market risk, liquidity risk, operational risk, legal risk, reputation risk, strategic risk and compliance risk. Traveler risk management are categorized into 5 rank, namely 1 (low), 2 (low to moderate), 3 (moderate), 4 (moderate to high), and 5 (high).

TABLE 3: Average indicator risk profile regional development bank (BPD).

Dimension Risk Profile	Indicator	2008–2011	2012–2014
		Average	Average
Credit Risk	Earning Assets (APB)	1.351024	1.937185

TABLE 4

	Against PPA Earning Assets (PPATAP)	1.598189	1.369681
	NPL	2.212598	2.75125
	NPL net	0.789606	1.395673
Market Risk	PDN	3.129528	1.878245
liquidity Risk	LDR	67.68346	72.49831
	GWM Rupiah	7.071732	8.804183
Operational Risk	BOPO	72.15118	72.20524
	ROE	29.4037	27.2927
Earning	ROA	3.648425	3.080539
	NIM	7.995354	6.986666

7. Conclusion

Based on this research, it can be concluded that the application of risk management in this case consists of the risk profile of credit risk, market, liquidity and operational simultaneously affect the financial performance of banks.

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