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The Influence of Good Corporate Governance, Ownership Structure and Bank Size to the Bank Performance and Company Value in Banking Industry in Indonesia

(A Study on Go-Public National Private Banking Corporation with Foreign Capital Investment During the Period of 2007 – 2012)

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Abstract
This research investigates the effect of good corporate governance, ownership structure and bank size on bank's performance and firm value of banking industry in Indonesia. The sample are 16 banks with foreign capital concentration and go public at the Indonesia Stock Exchange in the period of 2007-2012. The data analyzed by PLS (Partial Least Square) with good corporate governance variable using indicator audit committee and independent commissioners, the ownership structure, the size of the bank using an indicator variable capital and outstanding loans, the variable with the banking performance indicators ROA, ROE, NIM, LDR, BOPO, NPL and the value of the company by using Tobin's Q. The results of the research shows that: good corporate governance had a significant effect on bank's performance, ownership structure there is no positive effect on bank's performance, bank size had a significant effect on bank's performance, good corporate governance had a significant effect on firm value, ownership structure had a insignificant effect on firm value, bank size had a insignificant effect on firm value, and bank's performance had a significant effect on firm value.
Key words: good corporate governance, ownership structure, bank size, bank's performance, firm value.

INTRODUCTION

The presence of foreign capital investment at the Indonesian banking sector is able to motivate the economic growth in one side, but it can also create a negative impact in the other, particularly in the event if the presence of the said foreign capital investment is uncontrollable, for instance when such foreign capital reaches the majority level. Under such a circumstance, the ownership of domestic (national) banks is concentrated into the foreign capital. As a matter of fact, the majority ownership concentrated to foreign bank can cause the strategic decision making is controlled and dictated by foreign party, and this has a large impact to the company management, including the company organizational culture and human resources management, further it is related even to the policy on credit distribution not in favor for nor sided to the small and medium scale enterprises.

The big role of the banking sector in economy demands the stamina or endurance and continuity in its business, so that the bank is able to play its role as *an agent of development* maximally. The standard of success of a bank in running its roles and functions, among others as reflected by its *company value*. The company value constitute the investor's perception on the level of company success in managing the human resources as reflected in the share price. The high price of shares reflects the high company value. In addition, the company value also reflects *long-term goal* of the company (including the bank) constituting the output of activity and operational management as well as the performance achievement. Thus, performance is one of the important determinant factors and antecedence for the company value. A study by Perry (1993) indicates that the company performance measured by *earning per share (profit)* influences the company value. One of the important factors needs to be considerably viewed in the scheme of materializing the performance and high company value is the consistent and sustainable implementation of *Good Corporate Governance* (GCG). The other factors able to influence the performance and company value are the ownership structure and the company size.

BACKGROUND THEORY

Company Value

Keown, et al (2005) state that the term *'company value'* is the market value of the company's account payables and equity. The company may establish a value for the shareholders. The company value can be measured by using indicator *'Market to Book Ratio'*, giving indication how the investors evaluate the company. Noronha, Dilip, and George (1996), Rajan and Luigi (1995) applied the *Tobin's q Ratio* as a *proxy* of the *market / book ratio* used as the measurement for company's investment opportunity. *Price Earning Ration (PER)* indicates that the investors will pay how many rupiahs the share price for each rupiah of profit during the current period, or it means it indicates about what the investors have thought about the company performance in the past and what will be the company prospects in the future. Asri and Anton (1999) test the PER model consistency in making appraisal to the share price, and find out that the share appraisal is *more as an art rather than as a science* and the PER model is only used if the investors consider that the market situation and the market interest are the same when the PER model is formulated. *Price to Book Value (PBV)* according to Ahmed and Nanda (2000), can be stated as a comparison output between the share price and the book value per share certificate. According to Ang (1997), PBV constitutes a market ratio applied to measure the performance of share price to its own book value. For Brigham & Gapenski (2006), PBV is a comparison between the share price and the book value per share. The book value per share is a comparison between the capital and amount of shares in circulation (*share outstanding*).

To measure the company value, this research applies Tobin's q Ratio of Klapper and Love (2002) stating that the *Tobin's q Ratio* indicates that the natural company value has the same price as that of the value of its total assets. This total asset value applies *the replacement cost value*. If the Tobin's q Ratio is less than 1 (one), it means that the market value of the company is smaller than its total asset value and indicating that the company is *undervalued*. On the contrary, if its value is bigger than 1 (one), it means that its market value is higher than its total asset value and the company experiences the *overvalued*. Its consideration is that the Tobin's q ratio is really able to explain the role of share market in economy and able to show the natural company value as reflected at the share value which is equal to its total asset value.

Banking Performance

Ross, Westerfield & Jordan (2008) reveal that definition of the company performance in general is different in one research from the others. The company performance can be defined as a profitability. The company profitability in general can be measured by using several general sizes, among others are *ROA – Return on Assets* and *ROE – Return on Equity*. At the banking industry, according to Bikker and Bos (2008), generally the performance is related to the competition, concentration, efficiency, productivity and ability to produce profit commonly known as ROA, ROE, NIM – *Net Interest Margin*, Ratio of OCOE - *Operational Cost and Operational Earning*

Thus, performance must be rationally specified by using the achievement standard and based on the potential owned by the banks respectively. Special for the banking industry, the term of *'productive asset'* as stated at the Decree of Board of Directors of Bank Indonesia, Number 31/147/KEP/DIR, dated November 12, 1998 on *Quality of Productive Assets* is the bank fund investment either in Rupiah currency or in foreign exchange in the forms of credit, bonds, inter-bank fund placement, capital participation, commitment and contingency on administrative account transaction. There are several important financial ratios able to be used to measure the banking performance, namely: *Rent-ability Ratio*, is a tool to analyze or to measure the level of business efficiency and profitability achieved by the bank concerned. The rent-ability ratio, among others is *ROA – Return on Asset*. This ratio is used to measure the ability of a bank management in obtaining the profit as a whole. The bigger the ROA is in a bank, the bigger as well the level of profit achieved by the bank in term of asset utilization. In addition, there is also *ROE – Return On Equity*. According to Sartono (2001), ROE is the return on outputs or equity whose amount is stated as a parameter and obtained from investment of company regular shares for a certain period of time. Efficiency Ratio / Operational Cost Ratio is a comparison between the operational cost and the operational earning. This ratio is applied to measure the efficiency level and the bank ability in performing its operational activities. *The Liquidity Ratio* is executed to analyze the bank ability in fulfilling the aforesaid obligations. In addition, according to Riyadi (2006), in order to measure the financial performance, it can also be carried lout through the ratio of *NIM – Net Interest Margin,* namely a comparison between *Interest Income* minus *Interest Expense* divided by *Average Interest Earning Assets*. NIM measures the ability of earning asset / productive asset on its income (*Net Interest Income – NII*). Earning Asset consists of the bonds, time bonds, loans, capital participation and foreign exchange assets.

According to Orientation of Bank Indonesia pursuant to Circular of Bank Indonesia, Number 6/23/DPNP/2004, in evaluating the heath level of a bank, among others it shall refer to: the *Asset Quality*, represented by the previous NPL of 5% stimulated to be maximum 2%. The ROA income remains minimum 1.5%, ROE formerly from 13% to 15%, NIM previously from 6% is decreased to 3% and the liquidity represented. by LDR formerly applies the ideal standard of 78% - 100% with the disincentive application.

Good Corporate Governance (GCG)

Sula (2004) is in the opinion that GCG is a system and structure to manage the company with the goal to increase the value of the stakeholders and to allocate various parties having the concern to the company (stakeholders), such as the creditors, suppliers, business association, consumers, workers, government, and community in general. In addition, World Bank (in Sula, 2004) gives definition on GCG as a compilation of laws, regulations and norms obliged to be fulfilled able to stimulate the performance of company resources so that they can work efficiently, produce the long-term economic value in sustainable way either for the shareholders or for the surrounding communities as a whole. According to Wijayanto and Zachrie (2009), GCG constitutes of a concept able to be applied almost in all organizations (particularly non-government). In order to be able to apply it well, it requires an understanding on several main pillars of GCG, namely: *Responsibility, Accountability, Reasonableness / Equity (Fairness), Transparency, and Independence*. There are four things able to be used as evaluation criteria for Bank Indonesia in determining the level of banking GCG, namely: (a) Bank Transparency to the related parties; (b) Effectiveness of Bank Management and Commissioners in performing their tasks; (c) Effectiveness of the Committees obliged to be set up at the scope of Management and Commissioners; and (d) Independence of the Work Unit for the internal auditing. According to Tunggal and Tunggal (2002), there are some parties having the role in materializing the good implementation of GCG at the company, namely: the Shareholders and General Meeting of the Shareholders, Commissioners and Board of Directors, External Auditor, Internal Auditor, Auditing Committee, Corporate Secretary, Managers, Organization and other Stakeholders.

Ownership Structure

In discussing the Ownership Structure, it cannot be separated from the *Agency Theory*. One of the sufficient popular Agency Theories and being largely used as a reference is the Jensen & Meckling Theory (1976) explaining that *Shareholder* as the *Principal* and *Management* as the *Agent.* Ownership structure has various kinds of patterns and forms of ownership available in a certain company or the shareholding percentage of the internal as well as the external shareholders. According to Claessens, et al (2000), the ownership structure in Indonesia does not have any clear separation yet between ownership and control on the companies listed at the Jakarta Stock Exchange. Most of the companies are still owned by families and the managerial positions are held by the major shareholders.

Company Size

Company size is one of the important factors influencing the company performance (Salno and Baridwan, 2000). According to Sudarmadji and Sularto (2007), the magnitude (size) of company can be stated at the total assets, sales, and market capitalization. The bigger the total assets, sales, and the market capitalization are, the bigger as well the size of the company is. Meanwhile, the size according to a research by Cooke (1996) is proven influencing the revealing area at the company annual report. In addition, a research by Miswanto (1999) on the influence of company size to the business risks reveals that the company size has a positive influence to the business risk. It means that this research proves that the company size influences the investment risks, meaning that it has an influence as well to the return on investment. For the banking industry, in particular, the magnitude (size) of company can also be viewed from several components, among others: *the capital in hand, the credit being distributed, the fund of the third parties, and assets.* A research by Ramasamy, Ong and Yeung (2005) indicates that the company size has a positive correlation with the profitability obtained from the *Return on Equity (ROE)* and *Return on Assets (ROA*). Output of a research by Bhagat and Bolton (2008) also indicates that the capital structure has significant influence to the company performance. Result of a research by Owizy (2014) also indicates that the credit management also significantly influences the profitability as a proxy of bank performance in Nigeria.

RESEARCH METHODOLOGY

Population and Samples

Population of this research consists of 20 banks having the foreign capital participation available at the Indonesia Banking Directory 2007-2012. They use the sample collecting technique based on *the purposive sampling method,* namely the sample selection based on the specific goal of this research. Its criteria is the private bank that has already been under a *'go-public'* status and has the capital participation with the majority concentrated on foreign capital, namely: Bank ICB Bumiputera, Bank Central Asia, Bank Nusantara Parahyangan, Bank Danamon Indonesia, Bank CIMB Niaga, Bank International Indonesia, Bank Permata, Bank Mayapada Internasional, Bank OCBC NISP, Bank of India Indonesia, Bank Capital Indonesia, Bank Ekonomi Raharja, Bank Tabungan Pensiunan Nasional, Bank QNB Kesawan, Bank Lippo, and Bank UOB Buana.

Technique of Analysis

The variable classification in this research covers the *Exogenous Variables* consisting of: *good corporate governance, ownership structure, and bank size;* the *Intervening Endogenous Variables* consisting of: financial banking performance; and the *Dependent Endogenous Variables* consisting of the company value. *The Banking*

Performance Variables are reflected / measured based on indicators as follows: *Ratios of ROA – Return on Assets, ROE – Return on Equity, NIM – Net interest Margin*, Ratios of *OCOE – Operational Cost and Operational Earning, NPL – Non Performing Loans, and LDR – Loan to Deposit Ratio*. Its criteria refers to Regulation of Bank Indonesia. The company value is the level of company success in managing the resources in hand based on the investor evaluation. This variable is reflected at the *Tobin's q indicator* under a formula as follows:

$$\text{Tobin's q} = \frac{BVA - BVE + MVE}{BVA}$$

Notes:

BVA = Book Value of Assets.
BVE = Book Value of Equity.
MVE = Market Value of Equity.

The collected data are analyzed by using the *PLS- Partial Least Square* model of analysis with the help of a Computer Package Program of *Smart PLS* (Solimun, 2007: 73-80). The structural model designing of inter latent variables indicates the relationship among good corporate governance, ownership structure, bank size, banking performance and company values as follows:

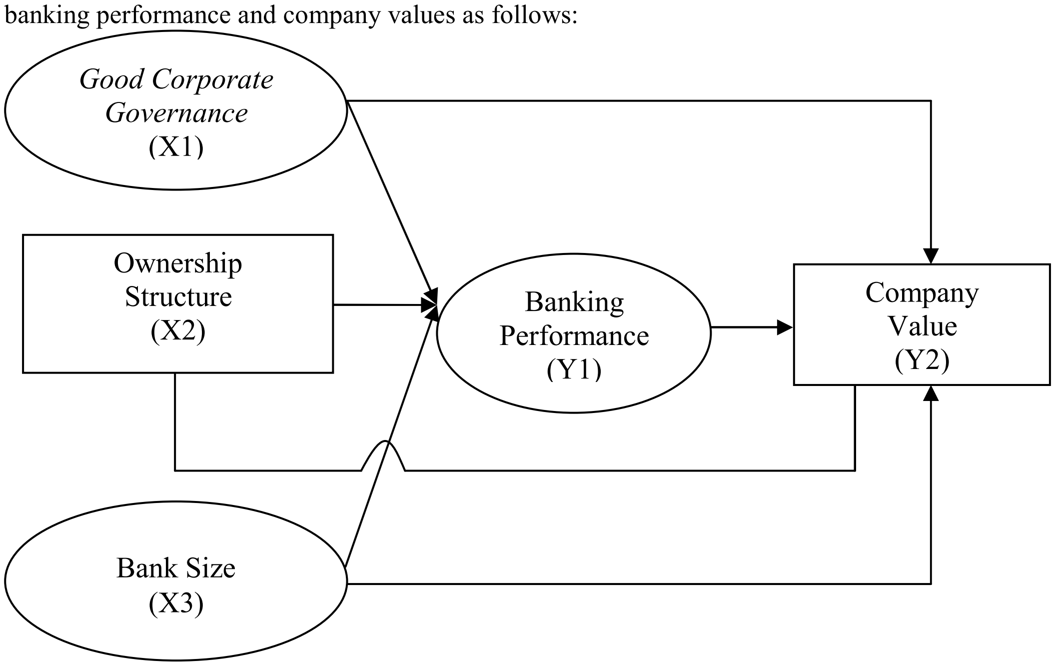

Figure-1: Inner Model on Analysis

Output of Research

Output of the descriptive statistic calculation for each indicator on the respective research variables is as shown in Table-1 below. The parameters applied to measure the *'good corporate* governance' (GCG) variables are the proportion of Independent Commissioners and the amount of Auditing Committee. Data on Table-1 indicates that the average proportion of Independent Commissioner is 55.3%. This indicates that in general the bank has already fulfilled the requirements stipulated under the Decree of Bapepam (Stock Market Supervisory Board) on Independent Commissioner. Its lowest value is 33% whereas its highest value is 99%. The value of its deviation standard is 10.2% indicating that the deviation of data is relatively small, because its value is smaller than its average value (55.3%). The obtained data indicates that the average amount of the Auditing Committee owned by a bank is 3.92. It means that in general each bank has already met the minimum provisions specified by the stock exchange, namely at least it shall have 3 members of the Auditing Committee. The lowest value on the amount of the auditing committee is 2 members and the highest value is 7. The value of deviation standard is 1.171 indicating that the data deviation is relatively small, since its value is still below its average value (3.92).

Table-1: DESCRIPTIVE STATISTIC OF THE RESEARCH VARIABLES

VARIABLES	INDICATORS	MINIMUM	MAXIMUM	AVERAGE	DEVIATION STANDARD
GOOD CORPORATE GOVERNANCE	**Independent Commissioners**	**0.330**	**0.990**	**0.553**	**0.102**
	Auditing Committee	**2**	**7**	**3.920**	**1.171**
OWNERSHIP STRUCTURE	**Proportion of Foreign Ownership**	**0.395**	**0.990**	**0.711**	**0.174**
BANK SIZE	**Capital**	**240**	**51.898**	**7.429**	**10.072**
	Credit	**877**	**256.778**	**39.724**	**49.879**
FINANCIAL PERFORMANCE	**NPL**	**0.000**	**0.0046**	**0.013**	**0.011**
	ROA	**-0.016**	**0.047**	**0.019**	**0.012**
	ROE	**-0.190**	**0.364**	**0.133**	**0.097**
	NIM	**0.036**	**0.140**	**0.062**	**0.021**
	OCOE	**0.479**	**1.146**	**0.835**	**0.110**
	LDR	**0.436**	**1.039**	**0.793**	**0.146**
COMPANY VALUE	**TOBIN'S Q**	**0.961**	**1.655**	**1.166**	**0.162**

Ownership Structure is concentrated to foreign capital. Thus, it can be found out whether or not the amount of foreign ownership influences the financial performance and the company value. Based on the data tracing on foreign ownership, it is found out that 16 banks have the foreign ownership during the period 2007 to 2010. The ownership average value of foreign bank is 71.1% and the lowest is 39.5% and the highest foreign ownership is 99%.

The parameter applied as indicators of bank size are capital and credit distribution. The bank capital or equity constitutes the right of the owner in a company namely the difference between the assets and liabilities. Based on the latest data for the year 2012, it indicates that the capital of the 16 sample banks is at the amount of Rp10.215 trillions. The biggest capital is owned by Bank Central Asia, namely Rp51.898 trillions, followed by Bank CIMB Niaga at the amount of Rp 22.652 trillions and Bank Danamon Indonesia with the capital of Rp 21.812 trillions. Meanwhile, the smallest capital value is owned by Bank of India Indonesia at the amount of Rp 274 billions. The credit distribution based on the position in the year 2012 is at the average of Rp56.209 trillions, whereas as a whole commencing from the year 2007 to 2012 is at the average of Rp 39.724 trillions. According to the final data in the year 2012 the biggest credit is distributed by Bank Central Asia at the amount of Rp 256.778 trillions and followed Bank CIMB Niaga at the amount of Rp137.822 trillions. Meanwhile the smallest credit in the year 2012 is distributed by Bank Capital Indonesia at the amount of only Rp2.82 trillions. From the average annual credit distribution, it is found out that it undergoes an increase every year as shown in Figure-5.5. (???) This indicates that the bank is getting better and better in performing its intermediation function, namely distributing credit to community.

The Financial Performance of Banking Companies is viewed from 6 indicators, namely NPL, ROA, ROE, NIM, OCOE and LDR. Those are the common ratios applied as indicators to evaluate whether performance of a bank is good or bad. Ratio of Non Performing Loan (NPL) and Operational Cost and Operational Earning (OCOE) which is getting lower indicates that the performance of a bank is getting better, while the higher ROA, ROE, NIM, and LDR indicates that the bank performance is getting better.

For NPL Ratio, the higher the NPL is, the worse credit quality is distributed by a bank, since there are a lot of non-performing loans so that they will harm the company. Bank Indonesia determines that the minimum amount of NPL is 5%. Based on the obtained data, the average NPL is 1.3% and its position may not exceed the provision of Bank Indonesia at the sum of 5%. This indicates that the quality of credit distributed by the bank is sufficiently good. The biggest NPL in the year 2012 belonged to Bank Mayapada Internasional, namely at the amount of 2.14%. Whereas the lowest NPL is owned by Bank Nusantara Parahyangan and Bank CIMB Niaga at the amount of 0.13% each.

For the ROA, the average ROA as a whole for the years 2007 – 2012 is at the amount of 1.9%. The smallest ROA is minus 1.64% and the biggest is 4.71%. The biggest ROA belongs to Bank Tabungan Pensiunan Nasional in the year 2012 and the smallest ROA is in the possession of Bank ICB Bumiputera in the year 2011. The said negative ROA indicates that the company undergoes the loss or has the negative net profit. The average annual ROA is viewed to have a tendency to fluctuate.

For the ROE, the average ROE as a whole for the years 2007 – 2012 is at the amount of 13.3%. The smallest ROE is minus 19% and the biggest is 36.4%. The biggest ROE belongs to Bank Tabungan Pensiunan Nasional in the year 2010 and the smallest ROE is in the possession of Bank ICB Bumiputera in the year 2011. The said negative ROE indicates that the company undergoes the loss or has the negative net profit. The average annual ROE is viewed to have a tendency to increasingly fluctuate.

For NIM or Net Interest Margin, namely the measurement of a difference between income interest produced by the bank and the interest value paid to the loan provider is relative to the amount of the asset productive interest, so that it indicates the net interest margin calculated from the rate of interest of loan to the customers deducted by rate of interest of customers' savings, and the average annual value as a whole for the years 2007 – 2012 is 6.2%. The smallest NIM is 3.6% and the biggest is 14%. The biggest NIM is owned by Bank Tabungan Pensiunan Nasional in the year 2010, whereas the smallest NIM is owned by Bank Nusantara Parahyangan in the year 2008. The average annual NIM value is viewed to have a little tendency to decrease.

For OCOE, constituting the efficiency ratio indicating a comparison between *the operational cost* and *the operational earning*, and used to measure the efficiency level and ability of the bank in performing its operational activities. The higher the OCOE is, the more inefficient the bank is in its operation. The average value as a whole of the OCOE for the years 2007-2012 is at the amount of 83.5%. The smallest OCOE is 47.9% owned by Bank Danamon Indonesia for the year 2007, whereas the biggest OCOE is 114.6% owned by Bank ICB Buumipputera for the year 2011. Based on the average annual value, there seems to be a tendency for OCOE to increase.

For LDR – *Loan to Deposit Ratio,* constituting one of the liquidity ratios related to ability of the bank to fulfill the proposed credit demand without any delay, and reflecting the ratio between the whole amount of credit provided by the bank with the fund received by the bank, and used in order to know ability of the bank in repaying the liabilities to the customers who have invested their fund with the credits already been given to their debtors. The average value of LDR as a whole for the years 2007 – 2012 is at the amount of 79.3%. The smallest LDR at the amount of 43.6% is owned by Bank Central Asia in the year 2007, while the biggest LDR at the amount of 103.9% is owned by Bank Mayapada Internasional in the year 2007. The average annual value of LDR indicates the tendency to increase.

The Company Value – constitutes the investors' perception upon the company, frequently connected to the share price. Therefore, the high price of the shares makes the company have a high value as well, and on the contrary the low price of shares indicates the low value of the company. In this research, the company value is measured based on the indicator of '*Market to Book Ratio'* by using the Tobin's q Ratio. The Tobin's q Ratio is a comparison between the company share capitalization and the replacement cost of the said company assets. The natural company value has the same market price with the value of its total assets. If Tobin's q Ratio is smaller than one, it means that the market value of the company is smaller than the value of its total assets and indicates that the company is *undervalued.* On the contrary if its value is bigger than one, it indicates the market value is higher than the value of its total assets and the company value is overvalued. The average value as a whole of Tobin's q for the years 2007 – 2012 is 1.166. The smallest Tobin's q value of 0.961 is owned by Bank ICB Bumiputera in the year 2008, whereas and the biggest at the amount of 1.655 is owned by Bank Mayapada Internasional in the year 2007. Based on the average annual value, the Tobin's q value seems to have a fluctuation. In the year 2008, it underwent a significant decrease, then from the year 2009 to 2011 it increased, and in 2012 it underwent a decrease again.

Output of hypothetical testing is in the form of Table of Structural Test as follows:

Table-2: STRUCTURAL TEST

Endogenous Function		**Path Coefficient t-progression**	
		Bank Performance	**Bank Value**
Exogenous Function		**Y1**	**Y2**
GCG	**X1**	0.496 1.972*	0.075 0.103
Ownership Structure	**X2**	-0.093 0.725	0.438 1.869 *
Bank Size	**X3**	0.465 1.i812 *	-0.063 0.693
Bank Performance	**Y1**		0.425 1.697*

* Significant on α = 0.05; df = 75; t-table = 1.665

Based on the aforesaid test result, the significance of outputs can be described as follows:

a. *The influence of GCG to the banking performance is significant,* because it has the value of t-progression (1.972) > t-table (1.665). Thus, *The First Hypothesis (H1): Good Corporate Governance has positive influence to the Banking Performance in Indonesia" is accepted.* It means that the good corporate governance significantly influences the banking performance in Indonesia. The better the good corporate governance is, the higher the banking performance is in Indonesia. Output of this research indicates that the GCG – Good Corporate Governance measured based on the amount of members of Independent Commissioners and the Auditing Committee has significant influence to the variables of banking performance measured based on the ROA, ROE, NIM, OCOE, NPL and LDR. The previous GCG is under a mandatory nature and in the scheme of compliance principle has really given more constructive impact to banking performance. Such research output concludes that the influence of Good Corporate Governance represented by the activities of Commissioners, the size of Board of Directors, the Auditing Committee positively and significantly influences the banking performance. Also, the research by Bhagat, Sanjai and Brian Bolton (2008) prove that the corporate governance has significant influence to the company performance indicated by the *Return on Assets (ROA).* In addition, the research by Haat, Mohd Hassan Che, Rashidah Abdul Rahman and Sakthi Mahenthiran (2008) also prove that the aspects of corporate governance consisting of the foreign ownership, debt-to-assets and audit quality significantly influenced the company performance.

b. *Influence of Ownership Structure to the Banking Performance is not significant,* because its t-progression (0.725) < t-table (1.665). Thus, *The Second Hypothesis (H2): The Ownership Structure has positive influence to the Banking Performance in Indonesia" is rejected*. It means that the Ownership Structure does not positively influence the banking performance in Indonesia. In average, the ROA of national private banking having the foreign capital participation in this research is getting 1.9% better. Bank Indonesia requires 1.5%. The average ROE performance is 13.3% still below the requirement of Bank Indonesia of 15%, whereas for NIM is at the average of 6.2% pursuant to the requirement of Bank Indonesia requiring 3 – 6%. Output of this research indicates that the ratios of ROA and NIM of the said national private banking has already fulfilled the provision of Bank Indonesia. However, the OCOE is at the average of 83.5% indicating that it is still not efficient yet and the LDR at the average of 79.3% still has not yet fulfilled the expectation of credit distribution of 80-100%. Inter-bank competition in collecting the fund causes the spread of saving interest and credit interest is sufficiently wide around 4 – 7%, so that the credit distribution is not maximum, since the credit rate of interest is less competitive. The Profitability Ratio of ROA and ROE in Indonesia is very high above the average of the Asia Pacific countries with the ROA of 1.38%, and ROE of 11.10% so that it still makes the foreign investors feel attracted to the banking in Indonesia. The research by Wen (2010) indicates that the banks with the private shareholders or foreign shareholders do not have better performance. On the other hand, the research by Fuentes and Vergara (2003) among other indicates that the bank having the higher ownership concentration shows higher level in its efficiency (performance).

c. *Influence of Bank Size to Banking Performance is significant, because* the value of its t-progression (1.812) > t-table (1.665). Thus, *The Third Hypothesis (H3): The Bank Size has positive influence to the Banking Performance in Indonesia"* is accepted. It means that the bank size positively influences the banking performance in Indonesia. The big capital and the high credit distribution constitute the two powers motivating the *economies of scales* from bank competition, enabling the bigger banks to stand at the better competition, having higher quality in their assets, and the scale of capital potential invested is developed in general. Economies of scales occur when a bank increases its input, in this case the bank capital and the increase in funding from the customers, then the amount of output in the form of credit being distributed produces the bigger earning and capable of increasing its profitability measured by ROA, ROWE, NIM in this research. Output of the research by Ramasamy, Bala, Darryl Ong, and Matthew C.H. Yeung (2005) among others also indicate that the company size (shown by log of company assets) has a positive relationship with profitability (represented by *Return on Equity* and *Return on Asset*). Big companies have all options compared to the small ones, and, in addition, the ability to utilize the economic scales and access to the stock market in which the small companies will surely be impossible, so that it leads to a higher level of profit. Al-Najjar and Ahmed Riahi Belkaoui (2001) in their study also find out that the company size is in positive proportion with its growing opportunities. It means that the bigger the size of a company is, the bigger as well the investment opportunity it has. On the contrary, for the company not been established yet, there is also a big possibility that the earned profits have not yet been established either, because the profit certainty is lower. In term of the company size, it is expected it will influence the company ability to produce the profit (Profitability).

d. *Influence of GCG to the Banking Value is not significant, because* the value of its t-progression (0.103) < t-table (1.665). Thus, *The Fourth Hypothesis (H4): Good Corporate Governance has* *positive influence to the Banking Value in Indonesia" is rejected.* It means that the good corporate governance does not significantly influence the banking value in Indonesia. Output of this research also finds out that Good Corporate Governance measured based on the Independent Commissioner and the Auditing Committee does not influence the banking value measured based on the Tobin's q proxy. This indicates that the previous GCG implementation constitutes the mandatory and compliance principle from Bank Indonesia in the scheme of health restructuring as an improvement and effective structuring at a standardized banking corporation management system pursuant to the provision of Bank Indonesia. GCG gives positive influence to the banking value but its influence is not significant. Output of this research is not in line with the result of previous research concerning with the GCG influence to the company value, among others as conducted by Black, Jang and Kim (2005) indicating that corporate governance measured by using the *Corporate Governance Index (KCGI)* influencing the *company market value*, and the independent commissioners influence the high price of shares at the emerging markets. Output of research by Herawaty et al, (2008) also finds out that the Good Corporate Governance variables, namely Independent Board of Commissioners and the Institutional Ownership Structure, Company Size, and Earning Management have significant influence to the Company Value.

e. *Influence of Ownership Structure to the Banking Value is significant, because* the value of its t-progression (1.869) > t-table (1.665). Thus, *The Fifth Hypothesis (H5): The Ownership Structure has positive influence to the Company (Banking) Value in Indonesia"* is accepted. This indicates that the share ownership by majority or concentrated at the foreign investors is able to influence the market value of banking corporation. Such condition reflects the influences of technical factors and psychological factors of the market motivating the investors at the market due to the information upon the bank controlling by foreign capital. In order to guarantee the price stability at the market, fundamentally it shall be supported by good and healthy banking performance. Research by Owizy et al (2003) also found out the empirical evidence that the concentrated share ownership had significant influence leading to positive relationship to the company value. Meanwhile the research by Morck et al (2000) indicated that *corporate block holder ownership* had significant influence leading to positive relationship to Tobin's q. And so did the research conducted by Back et al (2004) indicating that the large block holder non-managerial ownership had significant influence leading toward positive relationship to the holding period return.

f. *Influence of Bank Size to the Banking Value is not significant, because* the value of its t-progression (0.693) < t-table (1.665). Thus, *The Sixth Hypothesis (H6): Bank Size has positive influence to the Banking Value in Indonesia" is rejected*. It means that the bank size has positive influence but not significant to the banking value in Indonesia. The company value at the market is more determined by information on bank performance or the health level of the bank. A big bank does not always have a high share value at the market as the reflection of high company value if its performance is not evaluated good or healthy. As the effect, there is a tendency that the capital amount of banking will be minimized. The reject of this hypothesis is also in line with and supporting the result of previous research by Cheng et al (2008) proving about the presence of negative correlation between the company size at the share price during the time of publication for profit or level of company profitability. Output of research by Cheng et al (2008) explains that the company value constitutes a certain condition already been achieved by a company as an illustration of public trust to the company.

g. *Influence of Banking Performance to the Banking Value is significant, because* the value of its t-progression (1.697) > t-table (1.665). Thus, *The Seventh Hypothesis (H7): The Banking Performance has positive influence to the Banking Value in Indonesia" is accepted.* It means that the bank performance has positive and significant influences to the banking value in Indonesia. The financial success (performance) of company with the indicators measured by the profitability ratio and level of bank efficiency can influence the price of company shares identified by the increase of share price at the market and the amount of sale value of the company, in a sense that if the investors see that the financial performance is good, then the investors will be willing to pay for high price for the issued shares. Output of this research is in line with and supporting the result of the previous research performed by Varaiya, Kerin & Weeks (2011) proving that profitability as a proxy of financial performance positively influences the company value. Output of research by Ulupui (2007) also finds out that ROA has positive and significant influence to the return on shares in one period ahead. Therefore, ROA constitutes one of the influential factors to the company value. This can be proven by analyzing the share price per share by using the equation as stated by Clarke et al (1991) that the stock price of a company will depend on *Rate of Return on Equity (ROE), book value of equity per share, general level of the market price earning ratio*, and *the price earning ratio* for the company related to that of the market.

CONCLUSION AND SUGGESTIONS

Conclusion

GCG fundamentally has given the internal impact to the health level of a bank with ownership concentrated at the foreign capital. GCG reflected in the ratio of Independent Commissioners and Auditing Committee does not give positive contribution externally to the bank value at the community, so that the bank operation has already been considered as something very common by community, because it has already been regulated by Bank Indonesia. This also indicates the positive appreciation by community represented by the investors. Regression analysis also indicates that the ownership structure has linear positive and significant influence to the company value. Output of cubic regression test indicates that the output of determination coefficient is higher but not significant.

Foreign ownership participation directly influences the bank management is proven not giving negative influence to the banking performance and gives direct influence to the bank size and becomes bigger, so that it enables to be able to distribute bigger credit as well and proven it gives positive impact to the bank performance. The illustration that the bank size cannot increase the banking value in Indonesia, but it is caused more by a good bank management able to reach the optimum performance, and has no potential for occurrence of the risks. Condition of bank performance having the tendency to fluctuate and dynamic is proven to be consistently followed by the change in company value with tendency to fluctuate at the same direction as well, so that it gives positive and significant influence, in which the operational ratios of financial performance empirically influences the company value at the market.

Suggestions

This condition gives practical implication that GCG and bank size are very important for improvement of banking performance, and therefore its existence needs to be developed. At the same time, the ownership structure and banking performance are also vital for improvement of bank value, so that its existence is required in order to be consistent at the optimal level. In order to guarantee them, the implementation and function of supervision and control must be carried out by an independent institution by enforcing the punishment and disincentive penalty for the violation against the compliance principle. It is expected that the presence of foreign ownership at the this ownership structure will motivate achieving a better performance due to the presence oof separation of ownership and control. Beside the availability of covered risk for the risk potential tending to increase, it is expected to have a regulation stipulating the efforts to maximize the capital in flow at the acquisition process or the foreign control during the access to the national banking in order to make the fund available to drive the national economic wheels. The aforesaid subject should be used as an early warning system to reduce the risk potential in the said banks, in order not to harm the community, particularly the investors.

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