

ABSTRACT

Domestic banks are banks that is owned by the central government consisting of state banks, national private foreign exchange banks, Non-foreign national private commercial banks, regional development banks, and foreign banks. Foreign banks are owned by foreign investors, not Indonesian citizens.

The purpose of this research is to analyze the cost and profit efficiency of domestic banks and foreign banks in Indonesia from 2012 –2016 period. Efficiency is a parameter for measuring performance of the banks.

The method used in this research is Stochastic Frontier Analyze (SFA) and the data are analyzed using stata software. The variable used in this study are price input and output, total cost (TC), and total profit (TP).

Sampling technique used in this study is purposive sampling, resulting in 12 banks sample, consisting 4 domestic banks and 8 foreign banks.

The results of the analysis by using the cross section model of the SFA method states that the value of cost efficiency shows a number that is close to 100%. At the same time, the value of profit efficiency shows a number that avoid to 100%. The group of bank after being analyzed using the cross section model of the SFA for period 2012-2016 states that group of domestic bank had the highest of value of cost efficiency. Meanwhile, if viewed based on the profit efficiency of foreign banks it has the highest efficiency value. The results of the comparison of cost and profit efficiency of domestic banks and foreign banks using the ANOVA test showed no significant differences ($p > 0.05$).

Keywords: *Domestic Banks; Foreign Banks; Cost Efficiency; Profit Efficiency; SFA*