

ABSTRACT

Bank is one of the financial institutions in charge of collecting public funds and then flowing them back to the public in the form of credit or other bank services. As a financial intermediary, the banking industry has a very important role in the process of development and growth as well as one of the main indicators of state stability in various industrial countries, one of which is Indonesia. Seeing the function and importance of the role of banks, banks are always required to have good performance in terms of bank health so that banks can fulfill their duties. Not only in terms of profitability, bank health can be assessed based on the level of cost efficiency and banking productivity.

This study aims to determine the level of cost efficiency using the Stochastic Frontier Analysis method and productivity using the Malmquist Productivity Index method at 84 Conventional Commercial Banks for the period quarter I 2019 – quarter IV 2020, then look at the position of banks into groups of quadrants, as well as knowing the effect of Bank Specific Variables: TA, ROA, CAR, LDR, and NPL as well as Environmental Variables: INFL, GDP, EXCHANGE, and JCI on cost efficiency and banking productivity. The research method used in this study is a quantitative method with panel data regression.

The results of this study state that the level of cost efficiency of Indonesian Conventional Commercial Banks during the study period has not been said to be efficient because the CEE value is less than 1. Then the productivity level of Indonesian BUK is said to be productive because the average TFPCH value is more than 1. According to the grouping of banks into four quadrant, there are 60 BUK in quadrant II and there are 24 BUK in quadrant IV, and there are no banks in quadrant I and quadrant III. In addition, Bank-Specific Variable, namely ROA, has a significant effect on cost efficiency. Meanwhile, all environmental variables have no significant effect partially on cost efficiency. Then all Bank Specific Variables have no partial significant effect on productivity. Meanwhile, the environmental variables, namely INFL and KURS, have a significant effect on productivity. Simultaneously, Bank Specific Variables and Environmental Variables have no significant effect on cost efficiency but have a significant on banking productivity.

Keywords: CAR, CEE, Cost efficiency, Exchange, IHSG, INFL, LDR, Malmquist Productivity Index, NPL, PDB, Productivity, ROA, Stochastic Frontier Analysis, TA, TFPCH.