

ABSTRACT

State-Owned Conventional Commercial Banks are commercial banks that operate conventionally or apply an interest-based system, with at least 51% of their shares owned by the Government of the Republic of Indonesia. These banks include Bank Rakyat Indonesia (BRI), Bank Negara Indonesia (BNI), Bank Mandiri, Bank Ekspor Indonesia (Eximbank), and Bank Tabungan Negara (BTN). One of the parameters for assessing a company's performance, such as in the banking sector, is its Efficiency Level. There are three approaches that can be used to measure efficiency: the asset approach, the intermediation approach, and the Operational Approach. The Operational Approach focuses on the efficiency of cost and revenue management. Measurement of the efficiency level in the banking sector using the Operational Approach can be conducted using total bank revenue as the output variable, and interest expenses and non-interest expenses as the input variables. A bank's Efficiency Level can be measured using two methods: Stochastic Frontier Analysis (SFA), a parametric method, and Data Envelopment Analysis (DEA), a non-parametric method. In this study, SFA is extended with model effects to allow panel data analysis. There are two model effects within SFA: Fixed Effect (FE) and Random Effect (RE). The Hausman test is used to select the appropriate model between the two. This research aims to analyze the Efficiency Level of State-Owned Conventional Commercial Banks based on panel data from 2014 to 2023. The results of the Hausman test indicate that the appropriate SFA model for this study is the Random Effect SFA. Based on the SFA results, the Efficiency Level of all State-Owned Conventional Commercial Banks from 2014 to 2023 falls into the high-efficiency category. Additionally, the input variables, namely interest expenses and non-interest expenses, have a significant influence on the output variable, which is total bank revenue.

Keywords: State-Owned Conventional Commercial Bank, Operational Approach, Efficiency Level, Stochastic Frontier Analysis, Fixed Effect, Random Effect