ABSTRACT

This study aims to simultaneously analyze the relationship between efficiency and risk in conventional commercial banks in Indonesia. Efficiency is estimated using the Intermediation approach with the Stochastic Frontier Analysis (SFA) method, while risk is measured by the z-score as a proxy for insolvency risk. The study employs Company Size and Liquidity as exogenous variables, where Company Size is depicted by assets, and Net Loan to Total Asset (NLTA) is used as a proxy for Liquidity.

The sample for this study consists of conventional commercial banks listed on the Indonesia Stock Exchange (BEI). The sample selection is conducted using purposive sampling, resulting in a total of 40 banks. The data used in this study is an unbalanced data panel covering the period from 2002 to 2021. The data is obtained from Bloomberg and the annual financial reports published by the companies. The data is analyzed using the Seemingly Unrelated Regression (SUR) method, which is processed using STATA 17 software.

The research findings indicate that efficiency and risk each have a significant negative influence on one another. Furthermore, the relationship between the two exhibits a significant inverse association. Moreover, both exogenous variables, namely Company Size and NLTA, have a positive impact on both risk and efficiency.

Keywords: Simultaneous, Efficiency, Risk, z-score, SFA, SUR