Corporate Governance in Banking Industry: An Explanatory Study

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Abstract
The purpose of this study is to examine the current practices of corporate governance in banking industry, especially in Indonesia. Good corporate governance is critical for banking Industry because with good corporate governance, the bank could preventive the banks from financial fraud that could lead to financial distress and bankruptcy Yeoh (2007). Furthermore, through corporate governance statement, the banks ensure public that they follow the all Bank Indonesia's rules and regulations. Bank Indonesia as banks' regulator in Indonesia requires a corporate governance statement of each bank to be reported and published, together with audited annual report. The research question of this study focuses on: 'Is it true, that foreign management involvement in banking industry lead to better corporate governance?' In order to answer the research question, then, this study focuses on an examination governance structure and governance mechanism of 10 out of 39 public listed banks in Indonesia. Research methodology of this study is literature study from corporate governance statement and audited annual report. The finding is the maturity of good corporate governance among 10 public listed banks in Indonesia is not in the same stage, even though mostly all of them are following the regulation of Bank Indonesia as reserved bank in Indonesia. So, this study shows evidence that the implementation of corporate governance in Indonesian banking industry does not depend on the ownership, as Williams and Nguyen (2005) mention that foreign ownership had better corporate governance compared with local banks.
Keywords: corporate governance, banking industry, Indonesia

1. Introduction

Banking industry is unique and different from other industries (Cocris and Ungureanu, 2007), because banking industry provides 5 main services, which are: assisting the movement of goods and services through a system of payments, supervising and disciplining borrowers, identifying feasible investments, managing risk and uncertainty, aggregating society's savings for investment (Levine, 1997 on Mehran and Mollineaux, 2012). Moreover, good corporate governance of the bank is important to the bank soundness itself and the macro-economic stability of the nation (Andres and Vallelado, 2008). Thus, corporate governance becomes one of the popular research topics in banking industry that draw the worldwide attention because the quality of bank's corporate governance will affect the bank's performance (Binh and Giang, 2012; Al-Tamimi, 2012). On top of that, the bank admits that governance is the foundation for establishing trust and promoting engagement between a company and its stakeholders (Standard Chartered Annual Report 2014). Therefore, this study presents an explanatory study of banks' corporate governance from previous studies and the corporate governance implementation in Indonesia banking Industry.

1.1. The Origin of Corporate Governance Theory

Farinha (2003) mentions that the term corporate governance is a relatively, although the issues it addresses have been around for much longer, at least since Berle and Means (1932) and the even earlier Smith (1776). Berle and Mean (1932), corporate governance is an idea to separate the ownership from control. In early stage of corporate governance development, Berle and Mean's idea is to separate the power between the state and a wide range of institutions, in order to create a public trust to government's institutions.

Most of the previous studies of corporate governance stated agency theory as their companion theory, specifically on agency conflict between principal and agent (Johnson et al, 2000; Ciancanelli and Gonzales, 2000; Adams and Mehran, 2003; Muranda, 2006; Asher, 2007; Cocris and Ungureanu, 2007; Webb, 2008; Junarsin and Ismiyanti, 2009; Sakawa and Watanabel, 2011; Ross and Crossan, 2012; Bubbico et al, 2012; Zaman et al, 2015). Corporate governance is believed to solve agency conflict between principal and agent; since the purpose of corporate governance is to monitor agent performance in order to fulfill principal's interest. Thus, Binh and Giang (2012) describe the assumption of corporate governance in banking industry, which are the assumption of normal or competitive market, the relationship of information asymmetric is principal agent relationship between owners and managers, optimal capital structure requires limited gearing/financial leverage (Modigliani and Miller theorem).

Recently, corporate governance in banking industry influences the banking activities, such as the setting of bank's objectives, bank's business on a day-to-day basis, the accountability to their shareholders and other recognized shareholders, the compliance with applicable laws and regulations, and the protection of their interests of depositors (Ungureanu, 2008). Consequently, corporate governance also is influenced by other grand theories, such as law, class hegemony, resource dependence theory, stewardship theory, and stakeholder theory (Nordberg, 2007).

In short, corporate governance origin purpose is to prevent principal's interest through establishes performance monitoring mechanism for the agent. Corporate governance has created in order to ensure the firm performance in line with principal's interest.

1.2. The Various Definition of Corporate Governance

According to Turnbull (2000), there is various definition of corporate governance. Cocris and Ungureanu (2007) stated that corporate governance is defined and practiced differently throughout the world, depending upon the relative power of owners, managers and providers of capital.

This study explores various definition of corporate governance from previous studies. Garvey and Swan (1994) describe corporate governance as a corporation's contract that determines the relationship between firm's top management and executives. Cotelli (1995) states corporate governance as a regulation that determines equity allocation among insiders, including directors, CEOs, executives and other individual. Hart (1995) mentions that corporate governance is needed when there is an agency problem or conflict of interest issue; and when that problem could not dealt through a contract. Shleifer and Vishny (1997) define corporate governance as the deal to ensure the suppliers of finance to firms will get a return on their investment. Okougbo (2011) offers different definition of corporate governance as a set of process, customs, policies, laws, and institutions affecting the way in which a corporation is directed, administered, and controlled.

Specifically in banking industry, Basel Committee on Banking Supervision (2015) states the definition of corporate governance as: 'A set of relationships between a company's management, its board, its shareholders and other stakeholders which provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance. It helps define the way authority is allocated and how corporate decisions are made'.

Thus, Mandiri Bank and BNI (Bank Negara Indonesia) as state-owned banks in Indonesia have their own specific definition of corporate government, which are:

- Corporate governance as an integral part of our daily operations at Mandiri Bank and the management believes that the bank must follow sound commercial principles, supported by strong corporate governance practices, in each of the activities of the bank and its subsidiaries (Mandiri Bank Concise Annual Report, 2002).
- Corporate governance as a process, structure and cultures employed to direct and manage the Company's business and social interests in order to improve the business welfare of the Company and accountability in the Company, with the ultimate goal of creating values to the Shareholders in the long run, and at the same time observing interests of other stakeholders (BNI Corporate Governance Handbook, 2001).

All above definitions of corporate governance support the original goal of corporate governance, which is to monitor firm performance for principal interest. Then, the development of corporate governance becomes important and critical for all industries. Corporate governance is expected to increase the firm performance.

2. Previous Studies of Corporate Governance

A bank with good corporate governance needs a good mechanism of corporate governance, and a good structure of corporate governance. Good corporate governance is expected to solve agency conflict; therefore governance structure is critical for corporate governance. The corporate governance structure provides framework within which corporate objectives are set and performance is monitored; and it provided assurance to investors that they will receive a return on their investment (Cocris and Ungureanu, 2007). However, good corporate governance depends on the mechanism of corporate governance implementation.

This study reviews 57 previous studies of corporate governance specific in banking industry from 49 journals, 4 proceeding, 3 working papers, and 1 dissertation. The literature review result shows that governance mechanism is the most common topic of corporate governance. In short, the previous studies of corporate governance could be divided into 2 categories: governance structure, and governance mechanism.

2.1. Governance Structure

The banking governance regulation is might be different from other unregulated firms; therefore the board of directors in banking industry plays a crucial role in its governance structure (Adams and Mehran, 2003). Jensen and Meckling (1976) on Adams and Mehran (2003) argue that board structure, ownership structure, and compensation structure are determined by one an another as well as by range of variables, such as risk, real and financial assets, cash flow, firm size and regulation. Financial risk is a key factor for improving corporate governance in banking industry; furthermore, Ungureanu (2008) suggests that banks must set their corporate objectives and risk profile with the aim of protecting banks in all aspects.

Through study of 35 bank holding companies over the 1986-1996 in USA, Adam and Mehran (2003) finds that the boards of bank holding companies are bigger than manufacturing firms, although they have been declining in size over time. Their study result show that the board composition is not positively correlated with the bank performance; and this result is consistent with the theory that as result of regulatory requirements, directors do not emphasis value maximization over the safety and soundness of the institution.

Huang (2010) on Al-Tamimi (2012) studies of 41 commercial banks in Taiwan and it shows that board size, number of external directors and family ownership has positive correlation with bank performance. On top of that, those study supports that good corporate governance correlated with better bank performance. Similar result came from Binh and Giang (2012) examine 63 commercial banks in Vietnam and Malaysia. They found that board size, and audit committee size has significant impact to the bank performance. On the other hand, Yermack (1996) and Eisenberg et al (1998) on Sakawa and Watanabel (2010) find negative correlation between board sizes with firm performance.

Muranda (2006) examines 41 banks during 1992 to 2004 in Zimbabwe; and finds that the weak internal system strongly reflects a weak board. The study shows that an active role by regulatory authorities directly contributes to observance of good corporate governance practices. Similar result is presented by Bokpin (2013) who finds that banks with internal ownership are unprofitable, but the banks maintain a good loan quality. Meanwhile banks with large board size strongly improve profit efficiency but worse in cost efficiency. The same findings also presented by Asher (2007). He studies of 217 banks in India during 1999-2005; and finds that the governance and regulator need to synergy to bring better prospective economic structure and relevant law modernized to India.

P1: This study suspects that foreign-owned commercial banks and joint-venture commercial banks have better board size to running the Bank, compared with state-owned commercial banks and national commercial banks.

Recent topic of governance structure is about internal auditor. Internal auditor has switching to critical role on banking industry as part of enterprise risk management. Previously, internal auditor role only to examine bank operational day-to-day business; however, internal auditor role is more on developing enterprise risk management objectives, mechanism and monitoring together with other executives manager. Therefore, some previous studies on governance structure, internal auditor become one of the governance structure variables, such as Bushman and Smith (2003) on Cocris and Ungureanu (2007) find positive correlation between the quality of financial accounting information and economic performance. They note the critical role of internal auditor on bank performance relating to corporate governance practices. Another similar result, Okougbo (2011) examines 10 commercial banks in Nigeria. He states that auditors contribute to good corporate governance practices in the banking industry by reviewing the banking process and making reports to management and stakeholders. Moreover, governance structure shows that good corporate governance is required the auditor independency.

P2: This study suspects that the internal auditor of foreign-owned commercial banks and joint-venture commercial banks have more complicated roles, compared with state-owned commercial banks and national banks.

2.2. Governance Mechanism

The purpose of governance mechanism is to overcome the information asymmetric problem that requires a higher disclosure of information to their shareholders and creditors (Zulkafli and Samad, 2007). The potential of information asymmetric problem is higher on banking industry compare with other industries. Therefore, banks develop monitoring and controlling mechanism based on its governance mechanism.

Based on previous studies of governance mechanism, the most common topic is about internal monitoring mechanism. This is consistent with fact that governance has 3 functions, which are to provide protection of resource providers, to provide information management, and to provide performance monitoring (Crane and Schaede, 2005). Therefore, governance mechanism is critical and important for the banks, because the failure of governance could lead to financial fraud or crime, and damaging banks performance (Yeoh, 2007). In the end, good bank regulation and supervision become part of corporate governance mechanism of the bank (Mullineux, 2006). Meanwhile, good corporate governance practices contribute to the performance of the banks (Okougbo, 2011).

According to Mehran and Mollineaux (2012), governance mechanism in banking industry has more complex framework compare with other industries. Bank governance mechanism governs bank daily operation within framework of laws, taxes, social ethics, specific regulations and supervisory. Moreover, they explain that all decisions in banking industry are highly influenced by internal governance and external governance. Furthermore, Ciancanelli and Gonzalez (2000) state that it is important to govern banks through following the banking regulation, on the other hand, if banks ignore the regulation, it could lead to agency conflict. Their statement is highlighting the important of governance mechanism in banking industry. They aware that governance problem in banking industry is complex, the relationship between the principal and agent is unique in being mediated by an external force, and the owners may be considered as the single most important source of moral hazard. This statement is inconsistent with the origin objectives of corporate governance as preventive action of principal from agent's personal interest and moral hazard (Berle and Mean, 1932).

Yeh et al (2013) find bank corporate governance has positive correlation with higher abnormal return, because they could reduce the negative impact associated with negative event. However, the empirical evidence of Romanian public listed banks during 2004 to 2011, Dedu and Chitan (2013) find that internal corporate governance has negative correlation with bank performance.

P3: This study suspects that foreign-owned commercial banks and joint-venture commercial banks have better governance mechanism, compared with state-owned commercial banks and national banks.

3. Data and research methodology

3.1. Data

This study focuses on 10 public listed well-known banks in Indonesia that achieves excellent financial performance in 2015. As it is stated on Bank Indonesia official website[1], among of 120 banks that have operating in Indonesia, 39 of them are public listed banks. Then, this study focuses on 10 well-known public listed banks or 25% of the population.

Those chosen samples are:

- State-owned commercial banks: Mandiri Bank, BNI (Bank Negara Indonesia), and BRI (Bank Rakyat Indonesia)
- National commercial banks: BCA (Bank Central Asia), and Panin Bank
- Foreign-owned commercial banks: HSBC, Citibank, and Standard Chartered Bank
- Joint-venture commercial banks: ANZ and Commonwealth Bank

The literature data of this study focuses on banks' corporate governance statement and audited annual reports, with the data source from Bank Indonesia, IDX and the bank's official website.

3.2. Research Methodology

This study presents the implementation of corporate governance in Indonesia banking industry through an explanatory study. There are 2 parts of corporate governance implementation will be examined, governance structure and governance mechanism. Furthermore, governance structure focuses on board structure and audit committee; meanwhile governance mechanism focuses on the basic foundation of governance mechanism of each bank. Finally, this explanatory study would like to examine the current implementation of good corporate governance in Indonesia banking industry.

4. Explanatory study of corporate governance implementation

4.1. Governance structure

This part explores 2 information of governance structure: board structure and audit committee.

4.1.1. Board Structure

<u>State-owned commercial banks:</u>

Mandiri Bank

> *Mandiri Bank has a two-tiered board structure consisting of a Board of Directors and a Board of Commissioners. The 2 boards are separate and no individual member may sit on both. The Chairman and CEO are hold by different person. All members of the Board of Commissioners have strong, relevant professional credentials and have demonstrated their integrity and commercial ability during their careers (Mandiri Bank Concise Annual Report 2002).*

Mandiri Bank separates the members of board of directors and board of commissioners, supports the idea of Berle and Mean (1932) in term of separate power in government institution to gain public trust. Thus, Mandiri Bank declares that all the member of the board of commissioners are selected based on their capability and integrity. According IDX data (July, 2015), Mandiri Bank has 9 of board of commissioners members, and 5 of them are independent members. Mandiri Bank's board of directors has 11 non-independent members.

BNI

According to BNI Corporate Governance Handbook (2001) the board of commissioners' duty is clearly stated to supervising, and evaluated the board of board of directors' performance. However, there is no clear statement that the members of board of commissioners and board of directors are different person. According to IDX data (July, 2015), BNI has 9 members of the board of commissioners in total, and 6 of them are independent members. Then, BNI has 9 members of the board of directors and all of them are non-independent members.

[1] www.bi.go.id

BRI
Through BRI Annual Report (2013), this Bank explains that the board of commissioners and the board of directors have difference coordinator lines.

- Committees under the Board of Commissioners:
  Audit Committee, Nomination and Remuneration Committee, Risk Management Supervisory Committee. According to IDX data (July, 2015), BRI board of commissioners have 5 out of 8 independent members.
- Committees under the Board of Directors:
  Risk Management Committee, Credit Policy Committee, Credit Committee, Asset and Liability Committee (ALCO), Human Resources Policy Committee, Information System and Technology Steering Committee (ITSC), Project Management Office (PMO) Steering Committee. According to IDX data (July, 2015), BRI is stated to have 5 non-independent board of directors members.

Moreover, BRI does not state clearly whether the members of the board of commissioners and the board of directors are held by different person. However, BRI states that the Bank has proper recruitment procedure and criteria for each position in the Bank.

<u>National commercial banks:</u>

BCA
According to BCA Annual Report (2014), BCA has separate members for board of commissioners and board of directors. Furthermore, BCA has 3 independent commissioners' members among 5 members in board of commissioners with difference functions: risk oversight committee, remuneration and nomination, and concurrently chairman of the audit committee. On the other hand, BCA board of directors has 11 non-independent members (IDX data, July, 2015).

Panin Bank
Based on information from Panin Bank Annual Report (2014), Panin Bank has separate members between the board of commissioners and the board of directors. According to IDX data (July, 2015) 2 out 5 of Panin Bank board of commissioners are independent members. Meanwhile, Panin Bank board of director has 11 non-independent board of directors.

<u>Foreign-owned commercial banks:</u>

HSBC
The roles of Group Chairman and Group Chief Executive are separate, with a clear division of responsibilities between the running of the board and the executive responsibility for running HSBC's business (HSBC Annual Report, 2014). HSBC has 4 executive members and 12 non-executive members on the board of directors. HSBC appoints a Country Manager and Chief Executive for Indonesia office (HSBC Indonesia Annual Report, 2014). According to HSBC registration form (2015), HSBC has 34 board of directors members globally, and 16 of it are an independent members.

Citibank
Citibank has separate power of Chairman and CEO, however both of them together with another 11 member become Citibank Board of Directors, including the co-founder (Citibank Annual Report, 2014). It means Citibank does not separate shareholder (or co-founder) and managerial (or the board of director). According to Citibank Indonesia annual report (2014), Citibank appoints a Country Head & Citibank Country Officer to lead and run Citibank Indonesia. According to Citibank official website, Citibank's board of directors has 16 members and all of them are non-independent[1].

Standard Chartered Bank
Similar with HSBC and Citibank, Standard Chartered Bank has separate power of Chairman and CEO. Based on Standard Chartered Annual Report (2014), this foreign-owned commercial bank has eighteen the board of director members, including the chairman. On that board of director, Standard Chartered Bank has 1 independent executive member, and 10 independent non-executive members. Standard Chartered Bank in Indonesia leads by a Country Management Group, together with another nine board of director members (Standard Chartered Bank Indonesia Annual Report, 2014).

Moreover, Standard Chartered Bank's board of director has 7 non-independent members and 11 independent members (Standard Chartered Bank Annual Report, 2014).

<u>Joint-venture commercial banks</u>

ANZ
ANZ in Indonesia is a joint-venture commercial bank. ANZ as holding company has separate power of Chairman and CEO, but both of them are the members of the board of directors together with another 5 independent non-executives members (ANZ Annual Report 2014). However, in ANZ Indonesia, this bank has different set of the board of commissioners and the board of directors from ANZ holding company. ANZ Indonesia has 3 out of 4 members of the board of commissioners are independent member that lead by the

[1] http://www.citigroup.com

president of commissioners. Meanwhile, they have 6 members of the board of director and lead by president of director (Good Corporate Governance Report – ANZ Indonesia, 2014).

Commonwealth Bank

Commonwealth Bank as holding company implements the regulation that the roles of Chairman and CEO are not exercised by the same individual (Commonwealth Bank Corporate Governance Statement, 2015). The Bank has 11 members on the board of directors, including chairman and CEO; and 10 of them are independent non-executives directors. On the other hand, Commonwealth Bank Indonesia has separate set of the board of commissioners and the board of directors. The board of commissioners has three members, and one of them is independent member; meanwhile the board of directors has seven members (Commonwealth Bank Indonesia Annual Report, 2014).

Discussion about the board structure

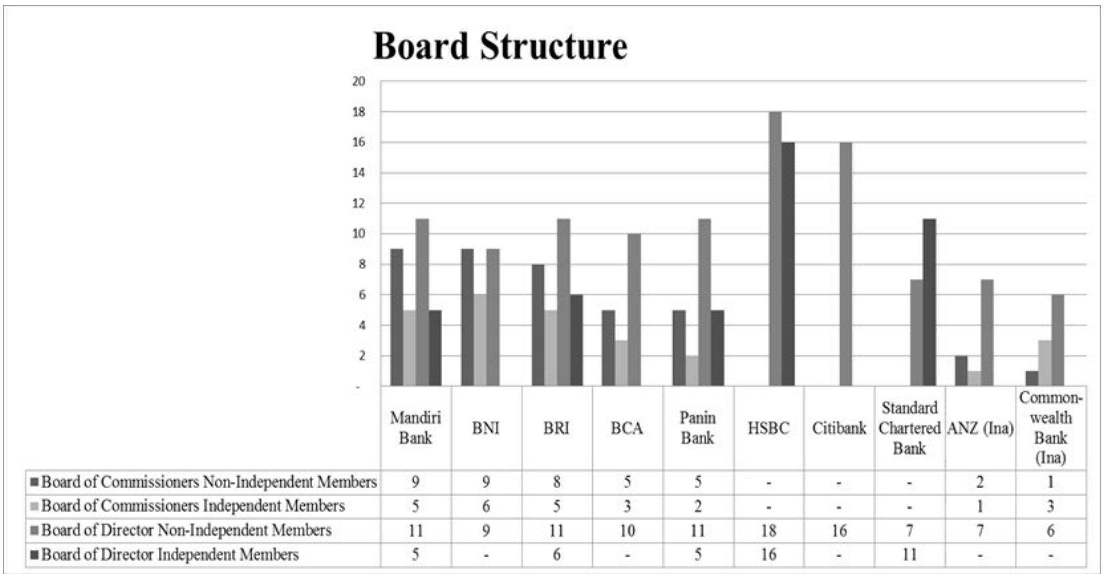
P1: This study suspects that foreign-owned commercial banks and joint-venture commercial banks have better board size to running the Bank, compared with state-owned commercial banks and national commercial banks.

According to Indonesia Government Regulation Number 40 Year 2007 about Limited Liability Firm and Bank Indonesia Regulation Number 13/1/PBI/2011 about the bank soundness measurement, all banks as limited liability firm must has board of commissioners and the board of directors. The function of the board of commissioners is to monitor and as advisers to the board of directors. Meanwhile the main function of the board of directors is to take full-responsibility of the bank operations.

Therefore, all the banks in Indonesia have separate set of the board of commissioners and the board of directors, excluding the foreign-owned commercial banks, which are HSBC, Citibank and Standard Chartered Bank. However, all of them have fulfilled the employment requirements of Indonesia Government Regulation Number 3 Year 1968 chapter 7 about human resources, as detail as follows:

- Point 1: Foreign banks must employ Indonesian human resources as long as fulfil the requirements
- Point 2: The leader of foreign banks in Indonesia must capable and has good morality
- Point 3: Foreign banks must provide regular training facilities for Indonesian citizen in Indonesia or overseas

HSBC, Citibank, and Standard Chartered Bank have employ Indonesian citizen as their majority employees as it's required on the point 1 above. Even though, three of these foreign banks in Indonesia only has 'country representatives' in Indonesia, but all of them has detail information of their Chairman, CEO and the board of directors profiles, including their photograph, capabilities and experience



	Mandiri Bank	BNI	BRI	BCA	Panin Bank	HSBC	Citibank	Standard Chartered Bank	ANZ (Ina)	Common-wealth Bank (Ina)
Board of Commissioners Non-Independent Members	9	9	8	5	5	-	-	-	2	1
Board of Commissioners Independent Members	5	6	5	3	2	-	-	-	1	3
Board of Director Non-Independent Members	11	9	11	10	11	18	16	7	7	6
Board of Director Independent Members	5	-	6	-	5	16	-	11	-	-

Picture 1: Board Structure

Cronin et al (2012) explains that corporate governance regulation on the effective of board structure has changes since the first suggestion on 1992 through Cadbury report. In the beginning, the board has a jury function in term of corporate governance, and the most effective number for the board contains of 12 high integrity men. Learning from previous firms' failures due to weak of corporate governance, then Cronin et al (2012) suggest that the most effective board structure contains around 8 to 12 people, and half of them should be an independent members. On top of that, Cronin et al (2012) also suggest one senior independent director as chairman for audit, numeration, nomination committee.

It can be seen from table 1a, that only BCA fulfils the board structure efficient size. However, according to Mandiri Bank self-assessment report of good corporate governance (2015), Mandiri Bank scores itself with one point, which is the highest score for the good corporate governance in banking industry in Indonesia.
Table 1a & 1b: Evaluation of the Board Structure Effectiveness

Name of the Bank	Total Board Size		Check
	BOC	BOD	
Mandiri Bank	n>12	n>12	X
BNI	n>12	8<n<12	X
BRI	n>12	n>12	X
BCA	**8<n<12**	**8<n<12**	**V**
Panin Bank	8<n<12	n>12	X
HSBC	n<8	n>12	X
Citibank	n<8	n>12	X
Standard Chartered Bank	n<8	n>12	X
ANZ (Ina)	n<8	n<8	X
Common-wealth Bank (Ina)	n<8	n<8	X

Name of the Bank	% of Indipendent Members		Average	Check
	BOC	BOD		
Mandiri Bank	**56%**	**45%**	**51%**	**V**
BNI	67%	-	33%	X
BRI	**63%**	**55%**	**59%**	**V**
BCA	60%	-	30%	X
Panin Bank	40%	45%	43%	X
HSBC	-	89%	44%	X
Citibank	-	-	-	X
Standard Chartered Bank	**-**	**157%**	**79%**	**V**
ANZ (Ina)	50%	-	25%	X
Common-wealth Bank (Ina)	**300%**	**-**	**150%**	**V**

Meanwhile, BRI is the most complying percentage of the most effective board structure between independent and non-independent members, as it is suggested by Cronin et al (2012). Furthermore, there are four banks in Indonesia that fulfill the minimum 50% of independent members in average between the board of commissioners and the board of directors: Mandiri Bank, BRI, Standard Chartered Bank, and Commonwealth Bank (please refer to table 1b). However, BNI reach the fourth awards from Asiamoney (2015) based on 322 independent voters from 189 worldwide organizations, including fund manager, analysis, CEO, CIO, fund management's senior executives and fund hedging around the world. Thus, the four awards are:

- Indonesia Best Overall Corporate Governance
- Indonesia Best for Disclosure & Transparency
- Indonesia Best for Investor Relations
- Indonesia Best for Shareholder's Right and Equitable Treatment

Cronin et al (2012) recommendation about the effective size and percentage of board structure needs to be tested through empirical research in Indonesia. It will be interested to explore the best practices of good corporate governance in Indonesian banking industry in order to discover the most effective board structure size
In short, the governance structure implementation in Indonesian banking industry, in term of board size, it is not proven that foreign-owned commercial banks and join-venture commercial banks have better board size to running the Bank, compared with state-owned commercial banks and national commercial banks. According to Cronin et al (2012) regarding the effective board size, BCA has the most effective board size between 8 to 12 members. Meanwhile Mandiri Bank, BRI, Standard Chartered Bank and Commonwealth Bank (Indonesia) share the best composition between independent and non-independent members of the board.
4.1.2. Audit committee
<u>State-owned commercial banks:</u>
Mandiri Bank
According to Mandiri Bank's Concise Annual Report (2002), they have audit committee, and it was established by charter in August 1999 in order to facilitate the audit responsibilities assigned to the Board of Commissioners. Furthermore, Mandiri Bank has 3 independent audit committee members, including the head of audit committee (Mandiri Bank Charter of Audit Committee, 2014). In Mandiri Bank, the audit committee is responsible for:

- Nominating the independent audit firm
- Actively manages the relationship with the external auditors
- Overseeing banking process a thorough internal audit process
- Evaluates the effectiveness of internal audit function
- Ensure internal audit independence and the maintenance of high standards
- Reviewing the audit plan and any activities related to the internal or external audit processes, reviewing the audited financial statements, and monitoring our internal controls. If the audit process reveals any indications of fraud, irregularities or illegal transactions, the audit committee is empowered to commission a special Audit

BNI
According to BNI Corporate Handbook (2001), BNI has audit committee that consists of at least 3 members; 1 among them is an independent commissioner who also serves as chairperson of the audit board/ committee. Other members of audit committee shall be appointed by the board of commissioners with the approval of Bank Indonesia and reported to the GMS Meeting, who is an independent external party and have competence in the

field of accounting and/or finance. Through BNI Corporate Handbook (2001), BNI explains the responsible of BNI audit committee are:
- Audit committee responsible to prepare and sign an implementation report and points of audit report for Bank Indonesia together with the president director as the representation of the chairperson.
- Complying with the regulations and rules of the implementation standard for Bank Internal Audit Function or other relevant legislations.
- Evaluating the audit findings of the internal control unit, evaluating the risk control policy, evaluating the taxes and laws issues, and requesting/asking the board of directors to follow up the audit findings.
- Giving approval for the appointment and dismissal of the internal control unit manager by the board of directors and reported the same to Bank Indonesia; including approving the internal audit charter, responding to internal audit plan and problems founded or discovered by the internal auditors.
- Ensuring that the management ensures both external auditor and internal auditor to work in accordance with the auditing standards, including their independence and objectivity.
- Presenting the material audit report and recommendations for material improvements or suggestions to the Stock Exchange and shall be available at the office of the Company to be read by the Shareholders.

BRI

According to BRI official website[1], BRI has 6 audit committee members, and 3 of them are independent committee members. Audit committee has specific roles at BRI (BRI financial statement, 2014), which are:
- Providing opinion on BRI financial statement.
- Performing procedure to obtain audit evidence about amounts and disclosure in consolidation financial statement.
- Performing risk assessment through evaluating the appropriateness of accounting policies used and reasonableness of accounting estimating by the management.

National commercial banks:

BCA

Based on BCA Good Corporate Governance (2014), the president director has another responsibility as internal audit and corporate secretary. Furthermore, it is stated on BCA official website[2], that all BCA audit committee member are independent members. Then, BCA audit committee has main role to assisting the board of commissioners in term of to support the effective implementation of the oversight and/or supervision duties and function on matter related to:
- Financing reporting
- Internal control system
- The implementation of internal and external audits
- Implementation of good corporate governance
- Compliance with applicable laws and regulations

Panin Bank

Panin Bank has audit committee that consists of 1 head and 3 members[3]and all of them are independent members. According to Panin Bank corporate governance statement (2014), the audit committee has main role to assist the board of commissioners in carrying out supervision, including to:
- Monitor and evaluate the audit plan and implementation
- Monitor follow-up actions on audit results
- Assess the adequacy of the financial reporting process

In doing the above mentioned tasks, the Audit Committee at least monitors and evaluates:
- Implementation of Internal Audit duties
- Compliance of the external audit with prevailing audit standards
- Compliance of financial reporting with prevailing accounting standards
- Implementation of follow-up actions by the board of directors' internal audit, external audit or Bank Indonesia findings and to provide recommendation to the board of commissioners
- Provide recommendation on the appointment of the public accountant and public accountant firm

Foreign-owned commercial banks:

HSBC

According to HSBC official website, HSBC has group audit committee that consists of 1 head and 3 members; and all of them are independent members[4]. Moreover, HSBC has detail explanation about audit committee roles

[1] http://www.bri.co.id/articles/165
[2] www.bca.co.id
[3] Letter of Statement of Panin Bank No: 002/SK-DIR/15, on February 2nd, 2015
[4] http://www.hsbc.com

as it is stated on HSBC holdings group audit committee (2014), and some of them are:

- *To monitor the integrity of the financial statements of the Bank, and any formal announcements relating to the Bank's financial performance or supplementary regulatory information, reviewing significant financial reporting judgments contained in them.*
- *To review the Bank's financial and accounting policies and practices.*
- *To provide advice to the Board on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Bank's performance, business model and strategy.*
- *To provide to the board such assurances as it may reasonably require regarding compliance by the Bank, its subsidiaries and those of its associates for which it provides management services with all supervisory and other regulations relating to financial reporting to which they are subject.*
- *To review and discuss with management the effectiveness of the Bank's internal control systems relating to financial reporting and to endorse the content of the statement relating to internal controls over financial reporting in the annual report for submission to the board.*
- *To monitor and review the effectiveness of the internal audit function, consider the major findings of internal investigations and management's response, and ensure that the internal audit function is adequately resourced, has appropriate standing within the group and is free from constraint by management or other restrictions.*
- *The committee shall approve the internal audit work plan, which will include the assessment of controls relating to financial reporting, conduct, financial crime and other risks, as appropriate.*
- *To satisfy itself that there is appropriate co-ordination between the internal and external auditors.*
- *To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements and reports from the external auditors on their own policies and procedures regarding independence and quality control and to oversee the appropriate rotation of audit partners with the external auditor.*
- *To consider any findings of major investigations of internal control over financial reporting matters as delegated by the board or on the committee's initiative and management's response.*
- *To review the composition, powers, duties and responsibilities of other nonexecutive audit committees within the group and where appropriate, to establish core terms of reference for adoption by such committees and approve material deviations from such core terms.*

Citibank

Audit committee of Citibank has 1 head of audit committee as independent member, and another 3 audit committee members, who two of them are independent members[1]. Furthermore, according to Citigroup Inc. audit committee charter (2016), audit committee is a standing committee of the board of directors with main purpose to assist the board in fulfilling its oversight responsibility relating to:

- *The integrity of Citigroup's consolidated financial statements, financial reporting process and systems of internal accounting and financial controls*
- *The performance of the internal audit function*
- *The annual independent integrated audit of Citigroup's consolidated financial statements and effectiveness of Citigroup's internal control over financial reporting, the engagement of the independent auditor and the evaluation of the independent auditors' qualifications, independence and performance*
- *Policy standards and guidelines for risk assessment and risk management*
- *Citigroup's compliance with legal and regulatory requirements, including Citigroup's disclosure controls and procedures*

Citibank audit committee has sole authority to select, evaluate, appoint, and replace the independent auditors, and shall approve in advance all audit engagement fees and terms and all audit-related, tax compliance and other non-audit engagements with the independent auditors.

[1] http://insiders.morningstar.com/

Standard Chartered Bank
According to Standard Chartered PLC audit committee (2014), the Standard Chartered Bank audit committee has 3 members, and all of them are independent non-executive directors. Furthermore, this Standard Chartered PLC audit committee (2014) states the main responsibilities of the audit committee, which are:

- To review and monitor the appropriateness and completeness of statutory accounts published financial statements and circulars to shareholders and Standard Chartered Bank and any formal announcements relating to the Bank's financial performance.
- To keep under review the appropriateness of the accounting policies and its changes
- To review the Bank's internal financial controls and to review the Bank's internal control systems and report to the board

Joint-venture commercial banks
ANZ
ANZ as group has one head of audit committee and another 3 audit committee members (ANZ annual report, 2014). Meanwhile, ANZ Indonesia has separate audit committee. According to ANZ Indonesia good corporate governance report (2013), ANZ Indonesia has three audit committee members, including the chair of audit committee; and all of them are independent members.
Furthermore, according to ANZ audit committee charter (2014), ANZ audit committee is established by the board of directors with the purpose is to assist the board of directors by providing oversight of and reviewing:

- *The financial reporting principles and policies, controls and procedures*
- *The internal control and risk management framework effectiveness*
- *The work of global internal audit which reports directly and solely to the chair of the audit committee*
- *The integrity of Bank's financial statements and the independent audit*
- *The due diligence procedures*
- *The procedures and other regulatory requirements related to financial reporting*
- *The appointment, annual evaluation and oversight of the external auditors*
- *The preparation of annual review of the independence, fitness and propriety, and qualifications of the external auditors*
- *The compensation of the external auditors*

Commonwealth Bank
According to Commonwealth Bank Audit Committee Charter (2015), the audit committee of Commonwealth Bank has 3 independent members. Meanwhile, Commonwealth Bank Indonesia has separate audit committee members. There are 5 audit committee members, including the head of audit committee, and 4 of them are independent members (Commonwealth Bank annual report, 2014). Moreover, the Commonwealth Bank's audit committee has the main role to assist the Board in fulfilling its statutory, regulatory and fiduciary responsibilities by providing an objective, non-executive review of matters in the following areas:

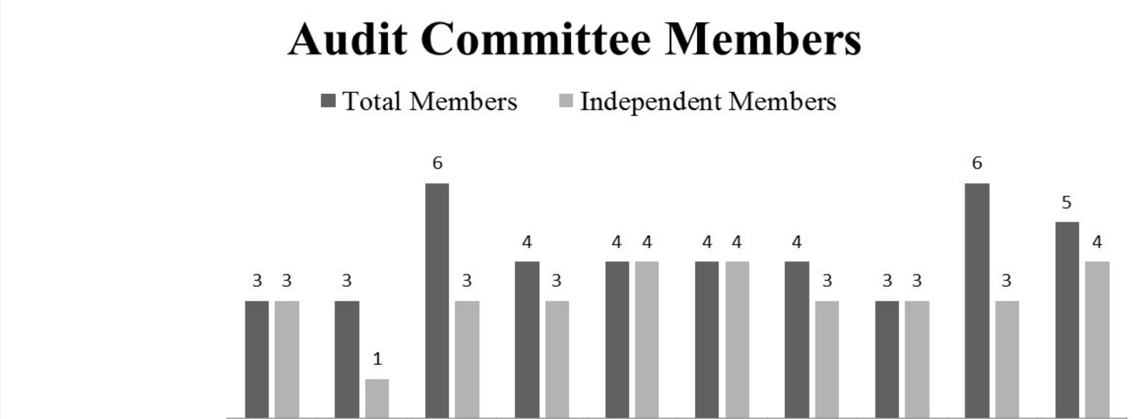
- *The external reporting of financial statement and financial information*
- *The internal control environment of the Bank*
- *The group audit and external audit functions*
- *The Bank's risk management framework together with the risk committee*

Discussion about audit committee members
Audit committee is the key governance structure with specific emphasis on member independence, beside experience and knowledge (Rahim et al, 2010). Moreover, Mautz and Sharaf (1964) on Vanasco (1996) propose philosophy of auditing that promotes three dimensions of auditor independence which can minimize the potential threats to the auditor's objectivity, which are:

- Programming independence includes the auditors' freedoms from managerial interference, any interference with audit procedures, and any requirement for the review of the audit work other than that which normally accompanies the audit process.
- Investigative independence includes free access to all records, procedures, and personnel relevant to the audit.
- Reporting independence includes freedom from any feeling of obligation to modify the impact or significance of reported facts, and freedom from pressure to prepare internal audit reports.

Therefore, the independence of audit committee is important to ensure the implement of good corporate governance in Indonesia banking industry.
Meanwhile, the definition of independency is an external party of the Bank without any financial, management, share ownership and/or family relationship with the board of commissioners, the board of directors and /or controlling shareholders or other relationships that may affect his/her ability to act independently (Bank Indonesia Regulation No 8/14/PBI/2006). From picture 2: the summary of audit committee members, it can be

seen that Mandiri Bank, Panin Bank, HSBC, and Standard Chartered Bank describe that all their audit committee members are independent members.



	Mandiri Bank	BNI	BRI	BCA	Panin Bank	HSBC	Citibank	Standard Chartered Bank	ANZ Indonesia	Common-wealth Bank Indonesia
Total Members	3	3	6	4	4	4	4	3	6	5
Independent Members	3	1	3	3	4	4	3	3	3	4

Picture 2: The Summary of Audit Committee Members

<u>The conclusion of audit committee responsibilities</u>

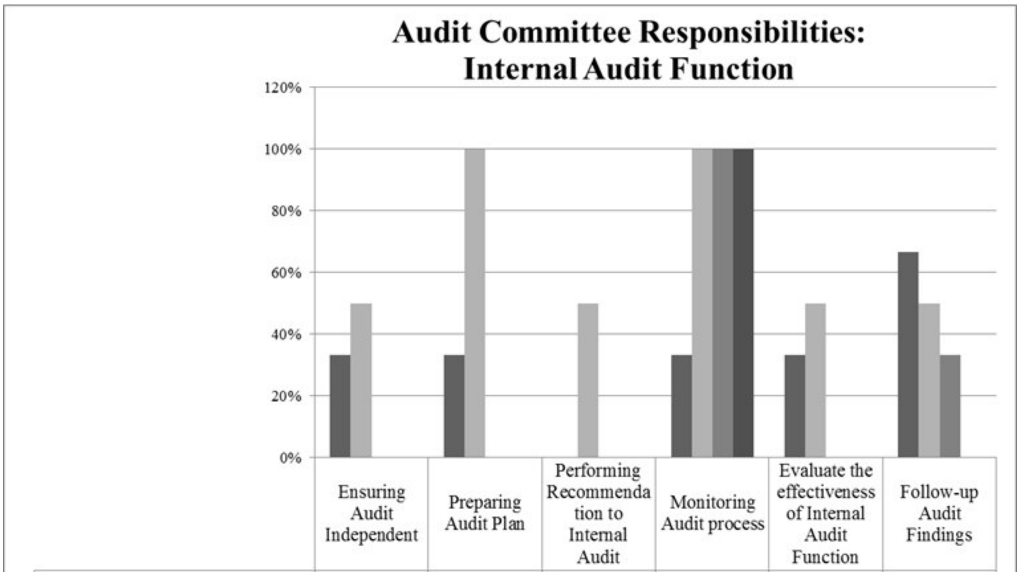
P2: This study suspects that the internal auditor of foreign-owned commercial banks and joint-venture commercial banks have more complicated roles, compared with state-owned commercial banks and national banks.

Audit committee in Indonesia banks has various responsibilities. Back to Courtmanche (1991) on Rezaee and Lander (1993) statement that internal auditor evolution has three major forms:

- Traditional form is when internal auditor as a quality control function of accounting department
- Modern form is when internal auditor has main responsibility as internal control of the whole departments, instead only for accounting department
- Neo-modern form is when internal auditor has main responsibility to provide audit services to the whole departments

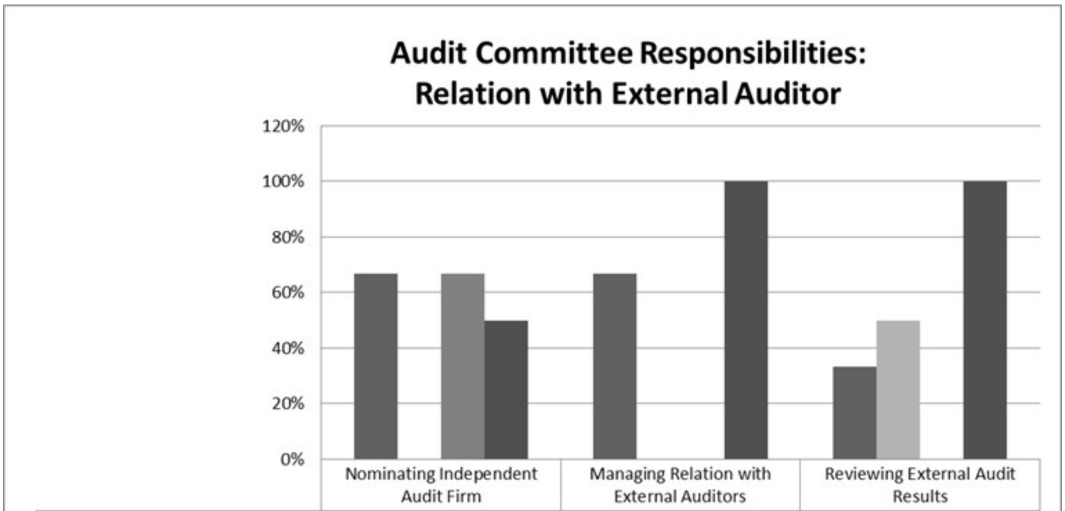
Meanwhile, from above sample of 10 banks in Indonesia, the audit committee as internal auditor has three main responsibilities, which are internal auditor functions related, financial statement related, and bank's operational related.

Audit committee in Indonesia banks has more responsible to monitor audit process. Moreover, from picture 3, it can be seen that national commercial banks in Indonesia has the highest percentage in term of preparing audit plan. Refer to Courtmanche (1991) on Rezaee and Lander (1993), then it can be stated that in general, Indonesia banks on modern form in term of internal audit function.



	Ensuring Audit Independent	Preparing Audit Plan	Performing Recommendation to Internal Audit	Monitoring Audit process	Evaluate the effectiveness of Internal Audit Function	Follow-up Audit Findings
State-owned commercial banks	33%	33%	0%	33%	33%	67%
National commercial banks	50%	100%	50%	100%	50%	50%
Foreign-owned commercial banks	0%	0%	0%	100%	0%	33%
Join-venture commercial banks	0%	0%	0%	100%	0%	0%

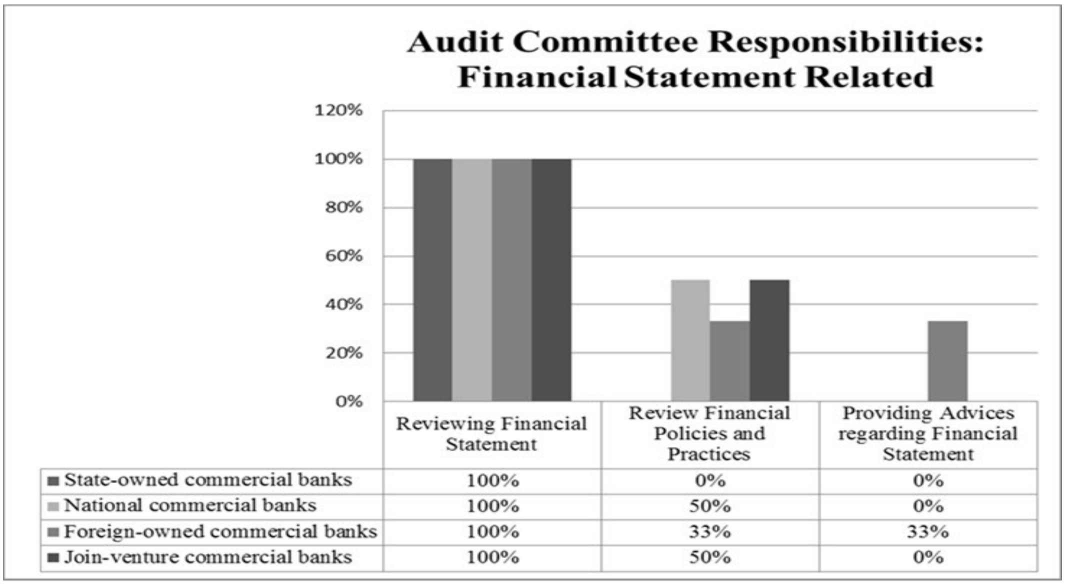
Picture 3: Audit Committee Responsibilities: Internal Audit Function



	Nominating Independent Audit Firm	Managing Relation with External Auditors	Reviewing External Audit Results
State-owned commercial banks	67%	67%	33%
National commercial banks	0%	0%	50%
Foreign-owned commercial banks	67%	0%	0%
Join-venture commercial banks	50%	100%	100%

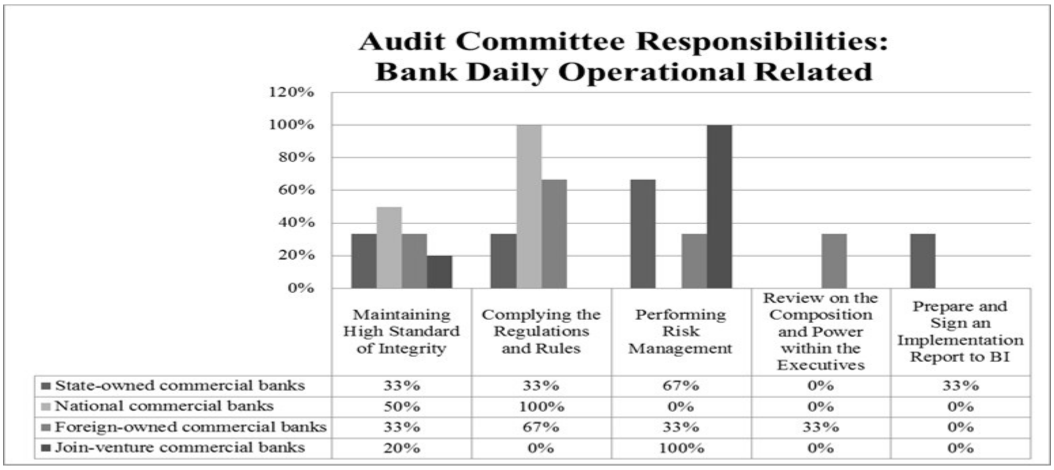
Picture 4: Audit Committee Responsibilities: Relation with External Auditor

It can be seen that audit committee of joint-venture commercial banks have more duties regarding the relation with external auditor.



Picture 5: Audit Committee Responsibilities: Financial Statement Related

Audit committee in Indonesia banks has the main responsibility to review the financial statement. Therefore, according to Courtmanche (1991) on Rezaee and Lander (1993), the audit committee is on the modern form, except for HSBC. HSBC audit committee has duty to provide advices related to financial statement to other departments in the Bank. Therefore, HSBC audit committee function related to financial statement has been in neo-modern form.



Picture 6: Audit Committee Responsibilities: Bank Daily Operational Related

Furthermore, from picture 6, about audit committee responsibilities regarding the bank daily operational, it can be seen that the national commercial banks audit committee focus on complying the regulations and rules. Meanwhile, Joint-venture commercial banks focus on performing risk management. Moreover, nine out 10 the commercial banks sample, only Standard Chartered Bank does not stated their audit committee responsibilities related to the Bank daily operational. Therefore, as it is stated by Courtmanche (1991) on Rezaee and Lander (1993), the commercial banks in Indonesia audit committee has involved on daily bank operational. In other word, the audit committee on this study shows evidence mostly audit committee follow neo-modern audit function.

In short, there is no evidence that the internal auditor foreign-owned commercial banks and joint-venture commercial banks have more complicated roles, compared with state-owned commercial banks and national banks.

4.2. Governance Mechanism

According to Caprio et al (2003) on Zulkafli and Samad (2015) governance mechanisms would be able to reduce the expropriation of bank resources and promote bank efficiency.

Moreover, Zulkafli and Samad (2015) state that governance mechanisms in the banking industry are explained by the nature of the industry itself, such as:

- There is a conflict between claimant and shareholders of a banking firm. Macey and O'Hara (2003) mention

that a broader view of corporate governance should be adopted in the case of banking institutions that include depositors as well as shareholders.
- The banks are operated with greater opaqueness since opaqueness is one of the special attributes of banks that require different treatment of its corporate governance (Levine, 2003). Zulkafli and Samad (2015) add that the issue of opaqueness is related to information asymmetries.
- The banks have a unique capital structure as distinguished by its liabilities and equity; and banks have the highest leverage as compared to other firms in any industry (Berger et al, 1995).

Therefore, the basic of governance mechanism should cover the principle of transparency, accountability, and integrity.

This part will examine the basic principle of governance mechanism implementation of each bank and by the end of this part; this study provides recent governance mechanism implementation in Indonesia banking industry.

State-owned commercial banks:

Mandiri Bank

According to Mandiri annual report (2014), Mandiri Bank implements 5 basic principles of governance mechanism, which are transparency, accountability, responsibility, independence and fairness. Governance mechanism as part of Good Corporate Governance practice at Mandiri Bank; it is content of 6 principles:

- Incorporating Good Corporate Governance principles in policies, guidelines, regulations and SOPs.
- Establish clear system of rewards and punishments
- Transparency on each product
- Establishment of call center and customer care
- Establishment of anti-fraud strategy
- Establishment of whistle-blowing system

BNI

According to BNI corporate governance (2014) corporate governance for BNI is an integral part of the BNI's core values, which are transparency, integrity, honestly, and accountability. BNI also mentioned that the Bank operational policy should be accountable and fairness to all stakeholders, establish a clear and efficient management structure, and the Bank remuneration system should be fairly and responsibly.

BRI

According to BRI annual report (2013), BRI establishes 4 corporate governance components, which are governance commitment, governance structure, governance process, and governance outcome. Furthermore, the BRI governance mechanism as governance process focuses on:

- Good Corporate Governance assessment
- Good Corporate Governance implementation monitoring
- Business Plan Evaluation
- Good Corporate Governance structure enhancement
- Good Corporate Governance infrastructure enhancement

One of the real product of governance mechanism at BRI is whistleblowing system policy has been updated in 2013.

National commercial banks:

BCA

According to BCA annual report (2013), the basic principles of BCA corporate governance are accountability, responsibility, and transparency. Moreover, BCA has stated the system and amount of remuneration of their board on BCA annual report, as part of the implementation of transparency value.

Panin Bank

Panin Bank focuses on preventive action in order to implement corporate governance, such as anti-fraud declaration, code of conduct, whistle blowing system, customer awareness, anti-money laundering and Know Your Customers (KYC) system[1]. According to Panin Bank annual report (2014), it is stated 5 values of the Bank's governance process, which are:

- Open and transparent
- Two-ways communication
- Full responsibility
- On time
- Accurate and simple

Foreign-owned commercial banks:

[1] http://www.panin.co.id

HSBC
According to HSBC official website[1], HSBC believes that corporate governance is the system by which companies are directed and managed. HSBC mentions that the Bank follows 490 different regulators globally. Moreover, corporate governance influences how the objectives of the bank are set and achieved, how risk is monitored and assessed, and how performance is optimized. Therefore, HSBC's corporate governance values are:

- High level of integrity
- Timely and accurate disclosure of information
- Establishing high standards of accountability
- Management effectively monitored by the Board
- High regard for shareholder value and equitable treatment of shareholders
- Key Business Values

HSBC also mentions about employment equal opportunity and diversity in harmony as the Bank's employment values.

Citibank
In order to govern the Bank's business, the Bank implements the highest standards of corporate governance and ethical conduct, including[2]:

- Doing what we say
- Reporting results with accuracy and transparency
- Maintaining full compliance with the laws, rules and regulations

Citibank also mention about director numeration as detail as follows:

> *The form and amount of director compensation is determined by the Board based upon the recommendation of the Nomination, Governance and Public Affairs Committee. The Nomination, Governance and Public Affairs Committee shall conduct an annual review of director compensation. Directors who are employees of the Company shall not receive any compensation for their services as Directors. Directors who are not employees of the Company may not enter into any consulting arrangements with the Company without the prior approval of the Nomination, Governance and Public Affairs Committee. Directors who serve on the Audit Committee shall not directly or indirectly provide or receive compensation for providing accounting, consulting, legal, investment banking or financial advisory services to the Company.*

Standard Chartered Bank
According to Standard Chartered Bank's corporate governance statement (2014), good corporate governance contributes to the long term success of the Bank, creating trust, and engagement between the Bank and its stakeholders to create and deliver sustainable shareholder value. Thus, the Bank enhances governance standards with strong internal controls, values and culture which are reflected in the behavior of the Bank's employees to strengthen trust in banking industry. Standard Chartered Bank explains the remuneration policy on the Bank corporate governance statement (2014) as follows:

- The Bank supports a strong performance oriented culture
- Ensures a competitive reward package
- Reflect the fact that many of the Bank's employees bring international experience and expertise and that the Bank recruits from a global market place
- Encourages an appropriate mix of fixed and variable compensation based on individual accountability and individual business risk profile.

Furthermore, Standard Chartered Bank mentions the values of the Bank's risk management are:

- Balancing between risk and return
- Responsibility
- Accountability
- Anticipation
- Competitive advantages

<u>Joint-venture commercial banks</u>

ANZ
Based on ANZ annual report 2014, in term of corporate governance, the Bank seeks to embrace principles and practices it considers to be best practice internationally; be an 'early adopter', where appropriate, by complying before a published law or recommendation takes effect; and take an active role in discussions of corporate

[1] www.hsbc.com
[2] Citigroup Inc. Corporate Governance Guidelines As Of January 18, 2012

governance best practice and associated regulation in Australia and overseas. ANZ also has specific governance committee with specific responsible for:

- *Identifying and recommending prospective Board members and ensuring appropriate succession planning for the position of Chairman*
- *Ensuring there is a robust and effective process for evaluating the performance of the Board, Board Committees and Non-Executive Directors*
- *Monitoring the effectiveness of ANZ's approach to diversity to the extent it relates to Board diversity and reviewing and approving measurable objectives for achieving gender diversity on the Board*
- *Ensuring an appropriate Board and Board Committee structure is in place*
- *Reviewing and approving the Charters of each Board Committee except its own, which is reviewed and approved by the Board*
- *Reviewing developments in, and approving, corporate governance policies and principles applicable to ANZ and to the ANZ board*
- *Approving corporate sustainability objectives for ANZ, and reviewing progress in achieving them*

Furthermore, the Bank establishes whistleblower protection policy provides a mechanism by which ANZ employees and contractors can raise concerns regarding actual or suspected contraventions of ANZ's ethical and legal standards without fear of victimization or disadvantage.

Commonwealth Bank

According to Commonwealth Bank corporate governance statement (2014), the Bank emphasizes on the governance mechanism of employment sector. The Bank has Statement of Professional Practice, sets standards of behaviour required of all employees and directors including:

- To act properly and efficiently in pursuing the objectives of the Bank
- To avoid situations this may give rise to a conflict of interest
- To know and adhere to the Bank's Equal Employment Opportunity policy and programs
- To maintain confidentiality in the affairs of the Bank and its customers
- To be absolutely honest in all professional activities

Then, the Bank has the value of recruitment, such as:

- Workplace conduct (EEO)
- Work Health and Safety
- Recruitment and selection
- Performance management
- Talent management and succession planning
- Remuneration and recognition
- Employee share plans
- Supporting professional development

Moreover, the Bank emphasizes on diversity in employment.

<u>Discussion about governance mechanism</u>

P3: This study suspects that foreign-owned commercial banks and joint-venture commercial banks have better governance mechanism, compared with state-owned commercial banks and national banks

After examine the important points of the Banks' corporate governance statement, this study highlights some interesting practices in Indonesia banks governance mechanism, such as:

- Foreign-owned commercial banks and joint-venture commercial banks emphasis more on governance mechanism towards employments, including its remuneration policy, equal opportunity, and diversity; compared with national commercial banks and state-owned commercial banks.
- Foreign-owned commercial banks and joint-venture commercial banks has more regulations that must been followed globally, compared with national commercial banks and state-owned commercial banks.
- On the other hand, state-owned commercial banks and national commercial banks emphasis more on transparency on business operational more than foreign-owned commercial banks and joint-venture commercial banks.
- Furthermore, state-owned commercial banks and national commercial banks focus more on the Bank's preventive actions from financial fraud.

In short, following Yeoh (2007) definition of governance mechanism that critical to the Bank in term of preventive the Bank from financial fraud, then there is no evidence that foreign-owned commercial banks and joint-venture commercial banks have better governance mechanism compared with state-owned commercial banks and national commercial banks.

5. Conclusion

This study focuses to examine 10 public listed banks Indonesia in term of its good corporate governance current practices. This study has a research question, which is: 'Is it true, that foreign management involvement in banking industry lead to better corporate governance?' That single research question has enhanced into 3 proposisitions:
P1: This study suspects that foreign-owned commercial banks and joint-venture commercial banks have better board size to running the Bank, compared with state-owned commercial banks and national commercial banks.
P2: This study suspects that the internal auditor of foreign-owned commercial banks and joint-venture commercial banks have more complicated roles, compared with state-owned commercial banks and national banks.
P3: This study suspects that foreign-owned commercial banks and joint-venture commercial banks have better governance mechanism, compared with state-owned commercial banks and national banks.

This study finds that there is no evidence if foreign-owned commercial banks and joint-venture commercial banks in Indonesia have better corporate governance implementation compared with state-owned commercial banks and national commercial banks, in term of:
P1: The board size. The evidence shows that BCA has the best board size.
P2: The internal auditor roles. The evidence shows that governance structure of commercial banks in Indonesia has different stage of maturity, despite of the ownership structure of commercial banks.
P3: The governance mechanism. The evidence shows that Mandiri Bank and Panin Bank have better governance mechanism implementation in term of preventive action from financial fraud.

Therefore, this explanatory study shows different finding with Williams and Nguyen (2005) who mention that foreign ownership had better corporate governance compared with local banks.

However, this study finding could lead to the following question: 'Is that the main trigger for Indonesian preference to work for foreign-owned commercial banks and/or joint-venture commercial bank more compared with work for national commercial banks?' As it could be seen that foreign-owned commercial banks and/or join-venture commercial banks in Indonesia emphasis more on employment code of conduct, such as clear remuneration system, equal opportunity for everyone, and diversity; compared with state-owned commercial banks, and national commercial banks. The current phenomenon in Indonesia is people more proud if they could work for foreign-owned commercial banks. Then, it will be interested to examine the real reason why Indonesian prefer work for foreign-owned commercial banks and/or join-venture commercial banks rather than work for state-owned commercial banks and/or national commercial banks in Indonesia. It is because of the career enhancement, high remuneration, or because they want to have experience to work for international banks; or because they do not aware that join-venture commercial banks are not fully foreign-owned commercial banks. Therefore, this question will be the suggestion for future research.

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