THE PERFORMANCE OF PRIVATE WEALTH MANAGEMENT IN INDONESIA

Hery Gunardi, Bank Mandiri
Ina Primiana, Padjadjaran University
Nury Effendi, Padjadjaran University
Aldrin Herwany, Padjadjaran University

ABSTRACT

The purpose of this research is to investigate the impact of the performance of private wealth management on the growth of retail banking in Indonesia. Data collected from 60 respondents out of 32 banks.

Using partial least square path modeling, it proved that there is the impact of the performance of private wealth management and its impact on the growth of retail banking in Indonesia. The bank's competitiveness variable is the most dominant in explaining the performance of private wealth management in Indonesia.

Keywords: Private Wealth Management, Retail Banking.
Indonesia JEL: G24, G32

INTRODUCTION

The growth of banking indicators in terms of assets or profit has become very important to the Indonesian government. In terms of business performance, domestic banking booked an improved achievement for the last five years, the position of the third-party fund per November 2017, reaching IDR 5.182 trillion. This position almost increased 1,5 times compared with the position in 2013, which amounted to IDR3.655 trillion. If further studied, wealth management segment, that is the individual segment with tearing portfolio customer more than 500 million, had a larger proportion with positive growth from year to year since 2013. Although the number of wealth account did not reach 1% of the total number of third-party fund account in general banks, the total nominal amount of deposit controlled more than 50% of the total nominal amount of individual deposit.

The average growth of portfolio customer wealth segment (2014–2016) is 11, 36% with the highest growth occurred in 2014 (15,51%). Growth nominal third- party fund slightly decreased in 2015 (6,82%); however, its rebound in 2016 (11,75%). Nominal account position November 2017 showed growth of 10,26%. The average nominal third-party fund wealth segment during 2013-2016 reached 54,42% portion of all account individual third-party fund in commercial banks. Position portion portfolio third-party fund wealth segment position November 2017 in the highest position during five years that is 56,44% of all individual third- party fund in the commercial bank.

The average growth of the number of customer account in wealth segment (2014-2016) was 8,62% with the highest growth occurring in 2014 (16,18%). The growth of account begun to decline while entering the year 2015, the position per November 2017 showed the growth of account number of only 1,81%. The middle portion of wealth account during 2013-2016

controlled only 0,14% of all individual accounts in the general bank. The position of wealth account per November 2017 was only 0,11% of all third-party fund individual account in the general banks. The average balance per account in wealth segment was IDR16,6 billion, while the average balance per account in the mass segment was IDR18,7 million.

Based on the data shown above, although the number of wealth account was only 0.11% of total individual accounts in the general banks in Indonesia in terms of portfolio, the nominal amount of wealth segment controlled 56.44% of total third-party fund in the general banks. It is shown that the segment has given a positive contribution. It is aligned with the research by Chang and Tsai (2015), using a hybrid approach with five dimensions, service, performance, professionalism, risk control, and trust. The five dimensions were used to measure the performance of Private Wealth Management (PWM), managing the wealth segment.

PWM is one of the individual banking segments with significant potential relating to increasing of fee-based income. PWM service covered investment management, personal financial planning, wealth advisory, taxation planning and estate planning. The scope of PWM practices had the connotation to the personal and consultative correlation of the private bankers. PWN managers are seeking to assist in pursuing the objectives of their clients. Moreover, PWM is closely related to investment management which takes into consideration the individual and family financial condition interactively (Jennings, 2015).

Wealth segment will generally promote the growth of banking revenue through fee- based income (FBI), although not explicitly expressed in the previous researches Lepetit et al. (2008); Hidayat et al. (2012); Maudos (2009); Maudos (2017), and Meng, et al. (2017). Same applied to net interest income (NII), the contribution to the wealth segment is not explicitly expressed (Nguyen, 2012).

PWM business is not new to the Indonesian bankers; still, the development of the business has not received significant attention. This condition changed at the end of 2016, at the introduction of tax amnesty policy. This taxation policy was introduced in response to the efforts of the Indonesian Government to continue creating positive economic growth, which in its course will require fiscal funding in a substantial amount.

PWM Business in Indonesia had excellent momentum in 2016 when tax amnesty was put into impact by the Indonesian Government. Tax amnesty is closely related to the PWM Business because most taxpayers affected by the government policy were individual customers in the wealth management segment. Tax amnesty was believed to increase the potential fund from the repatriation and incoming capital flow to Indonesia. Besides, the incoming capital flow, which is placed in investment, will also promote economic growth, and eventually generate a potential impact on the stability of the monetary system.

One of the nearest impacts from the tax amnesty will have an impact on the financial sectors, banking or non-banking. With the tax amnesty policy, banking position will become more strategic as to the derivative policy of the tax amnesty such as investment product, expansion of customer business and others. It can be seen from the increased growth of banking asset until 2017, recording total domestic banking asset in quarter III 2017, reaching IDR 7.183 trillion.

PWM business is not apart from the competition in the banking sector. This research also describes the increasing number of banks in Indonesia, providing PWM service. The present competition in the banking industry is lovely to observe. Boyd & De Nicoló (2015) stated that competition in the banking industry involves not only interest rate and credit business model but also credit risk, which is part of the risk management model. Academic literature and actual condition in the banking system showed the importance of awareness to implement risk

management in the banking sector (Keeley, 1990). The risk management system of a bank is a neutralizing factor of credit expansion and reducing factor of unfair competition and increased banking stability (Jimenez et al. 2007).

Boyd & De Nicoló (2005) had their view on the "risk-shifting" paradigm. The argument suggested that risk management may affect the bank's competitiveness by considering the profitability or performance of a bank. Another research suggested that risk management system is measured by loan to asset ratio factor. This factor included bank-specific risk by taking into account the investment risk. Empirically, when measuring bank risk, there may be an unexpected result. Thus, attention should be paid by the bank manager to the result as a warning to minimize more expansive behaviour and to improve prudence (Debrah, 2007).

Martinez et al. (2016) suggested that the risk of financial institutions is among others, external frauds, internal frauds, malicious damage, goods and services, technology failure, and other expected losses. Also, financial innovation is related to the risk which may affect the performance stability of commercial banks, where the risk from financial innovation will have more significant impact compared with systemic risk (Chen & Lai, 2016).

Beck et al. (2013) mentioned that competition in the banking sector had a broad impact on the economic stability of a country. Besides, in some aspect, this research suggested that the bank's competitiveness showed a negative impact in terms of prudence (prudent) and banking management policy alone. This research concluded that the increased competition in the banking industry resulted in increased risk behaviour, increased contribution to liquidity risk of a bank, and increased risk of compliance.

Berger et al. (2009) proved that in a bank with increased competition, there is increased risk exposure along with the increased stability of the bank. Also, the research mentioned that the capital increase ratio must directly cover that increased risk exposure. Same was discovered in the research by Tri Mulyaningsih (2014). Further, some researches on competition in banking sector mentioned empirical evidence of the increased competition in banking stability (Schaeck et al. 2009). In more detail, this research mentioned that the bank's competitiveness would even offer increased systemic stability if appropriately executed by the management of the regulator.

In practice, modern banking business is not only dependent on the organic business emphasizing on the intermediary function but oriented to other revenue sources. It is not apart from the development of marketing theory which is empirically proven to improve banking performance. Based on Lee et al. (2010), the profitability of financial institutions depends not only in terms of frequency of financial transaction but also on the satisfaction level of its customers. Also, research by Ang (2010) suggested that condition of the banking industry in Asia was very fragmented so that a precise segmentation is necessary to the intended market, besides the quality of private banker which must have a good reputation.

In the middle of the dynamic potential of the world's economy, especially in South East Asia, the current transformation of the global banking industry has resulted in increased attractiveness of the industry compared with conventional banking business which has so far emphasized on credit. It is not apart from the credit risk, which should be taken into account and faced by the banks, despite the improved stability with a decrease in non-performing loans (NPL). However, NPL remains a significant challenge for credit growth (PWC, 2017).

In the dynamic banking industry, this is not apart from the regulation of the government acting as the regulator to ensure that economic stability is maintained. In some countries, including Indonesia, government intervention in the banking industry is taken by enforcing the regulation and circular letters. In the last five years, the scheme has been implemented by the

Financial Services Authority (FSA). This institution is the leading agency of the Indonesian Government, which supervise financial institutions, including banking, to ensure the liquidity, stability and sustainability of financial institutions (World Bank, 2013). Before the forming of FSA and due to the economic crisis experienced by Indonesia in 1997, the Indonesian Government formulated a concept called Indonesian Banking Architecture (API). The concept was followed by regulation on risk management, as outlined in BASEL (Ilin, 2007).

In 2010, all banks in Indonesia were required to fulfil the provisions of pillar I, II, and III of BASEL II, requiring a bank to fulfil its minimum obligation 8% of Capital Adequacy Ratio (CAR). The first pillar of BASEL II established the requirement of a bank to add operational risk as weight in capital requirement (Heffernan, 2005). Besides, the Second and Third pillar of BASEL II requires the bank to develop an internal method for asset appraisal and to open the method to calculate CAR (Rosengard and Prasetyantoko, 2011).

It is noted that risk management is a factor closely related to competition and performance in the financial industry, especially banking. One hand, the bank as a profit- oriented institution must take into account the policy of risk management. For example, credit risk, balance is necessary between the expansion and quality of credit in loan portfolio to assure that NPL is controlled (Jiménez et al., 2007). This study will investigate the factors which form the performance level of PWM, especially in terms of competitiveness and risk management and growth of the retail banking business.

LITERATURE REVIEW

Bank's Competitiveness and Performance of Private Wealth Management

Demsetz (1973) developed an efficient structural hypothesis, suggesting that profitability achieved by a bank is generated from efficiency. Therefore, this hypothesis showed that bank with higher efficiency has a higher capability to increase Market Share and size, which generated a profit surplus. The new indicator has been developed by Boone (2008) to measure the competition of the bank by taking into account the impact of efficiency on the performance relating to profitability and Market Share. It also considers that the condition of the competition will improve the performance of company efficiency and weaken the performance of an inefficient company. The outcome from the indicator by Boone may have positive or negative value where negative value shows a higher level of competition. In comparison, a more considerable positive value indicated a lower level of competition.

Chang & Tsai (2015) used a hybrid approach with five dimensions, which include service, performance, professionalism, risk control, and trust to measure the performance of PWM. In this scheme, the indicator of financial performance has no separate dimension. Revenue, the capacity of profitability and Market Share ratio is seen in the performance dimension. On the other hand, risk control dimension comprises a measurement of market risk, financial risk, movement of the business cycle in the industry, customer risk control and confidentiality of financial and customer data.

According to the presentation by the above researcher, it is suggested that although the financial performance of PWM has no separate dimension, the profitability rests in the performance dimension. The profitability, as suggested by Boone (2008), will be affected by efficiency. Therefore the more efficient the performance of a bank for the existing competitive situation, more positive impact will support the performance of PWM profitability.

Risk Management and Performance of Private Wealth Management

Decision-making process in private wealth management should consider the risk management standard and should comply with the banking regulation in force. The investor should be supported by information on risk in determining its decision. It is shown in the research by Ferreira et, al (2017) using personal investment portfolio approach called fuzzy multiple-attribute.

By analyzing the private wealth management portfolio at central banks in Switzerland with varying services, this research found that risk-free asset has a significant impact on the decisions of the banks managing private wealth management. This research was conducted by Cao et al. (2016) through processing a large amount of data at central banks in Switzerland.

Janssen & Kramer (2015) suggested the implementation of European regulatory sustainability requirement in managing private wealth management and transparency in determining risk management process. This article also discusses as to how risk management plays a vital role in private wealth management.

The researches above suggested a correlation between risk management has a positive correlation with the performance of private wealth management.

Bank's competitiveness and Growth of Retail Banking Business

In measuring the growth of banking business, most measurement of banking business growth is based on the profit level of the bank. Parameters measure banking profit among others: rate of return on equity, rate of return on capital, and rate of return on asset (Debrah, 2007).

In the banking industry, the competitiveness of a bank may have an impact on the profit level of the bank as the basis for measurement of business growth of a. Based on the previous research, conventional business model analysis is described as production, marketing, investment, and other measures adopted by the organization to create a bank's competitiveness is very oriented to the revenue increase. Increasing revenue, primary revenue per branch, is an essential feature of the business model analysis in a bank (Froud et al., 2016).

In line with the research by J. Forud et all, Rhee and Mehra (2006) also researched the impact strategy bank's competitiveness on the banking industry retail. In the research in 1000 Retail Banks in the United States, the researcher expressed that operational strategy, marketing, and competitiveness has a significant impact on banking performance. More specifically, the researcher expresses that the higher the strategic level selected by a retail bank, the higher the performance of such a bank. Based on the previous researches, it may be concluded that the competitiveness of a bank has an impact on the growth of the banking business.

Risk Management and Growth of Retail Banking Business

The main objective of banking management is to increase the shareholder's return. The objective has frequently resulted in increased cost and risk. It becomes one of the backgrounds that risk management has an important role in minimizing the loss suffered by a bank (Adeusi et al., 2015).

Zubairi & Ahson (2015) researched the five banks in Pakistan using descriptive statistics and collection of a regression model to measure the strength of risk management and its impact on the profitability of the banks. The model test was verified with Augmented Test Dickey Fuller.

Based on the said research, it was suggested that risk management has an impact on the growth and profitability of a bank.

Adeusi et all (2015), divided risks in banking into 3, namely *credit risk, market risk, and liquidity risk. It also suggested that* there is a significant impact between the two. In the research, the researcher shows that there is a significant correlation between the performance of bank and risk management. Risk management will generate better performance of a bank. Therefore, the researcher considers as very important for the bank to implement the principle of prudence risk management to maintain the asset bank and protect the interest of the investor.

Research by Apătăchioae (2015) on risk management, banking regulation and banking growth, the researcher also found that Risk management and banking growth is correlated in accomplishing the objective set by the bank. Risk management is closely related to the expected performance with *high-risk high-return correlation*. Risk management is considered dependent on the expected performance and its objective in optimizing risk-return.

Performance of Private Wealth Management and Growth of Retail Banking Business

Performance Indicators of PWM used in this research were FBI and NII, while the indicator of retail banking growth used *revenue*, *return on asset* (ROA), and *market share*. Firth *et al.* (2013) analyzed the correlation between *non-interest income* represented by non- traditional income ratio variable, on the profitability and bank risk, ownership by the government, and change in government policy in 180 financial institutions in China from 1998 until 2007. Concerning the profitability, which measured using ROA & ROE, the bank revenue from non-traditional activity has a negative correlation. However, if further analyzed, the portion of revenue from fee and commission even had a positive correlation on profitability. Non-traditional banking activity is not specifically from PWM Business.

The research by Nguyen (2012) on the correlation between *non-interest income* and *net interest margin*, also found a correlation between *non-interest income* and *risk-adjusted* ROA. From 1997 to 2002, there was a negative correlation between *non-interest income* and ROA, but the correlation turned positive from 2003 to 2004.

The research by Chen & Lai (2016) also discovered that the impact of diversification of bank revenue on ROA was positive and significant in the long term and positive but insignificant in the short term. Meanwhile, Sufian (2012) proved that *non-interest income* had an impact positive on the ROA in 77 banks in South Asia.

HYPOTHESES

Based on the study above, the following hypothesis is compiled:

1. *There is an effect of the bank's competitiveness on the performance of private wealth management.*

2. *There is an effect of risk management on the performance of private wealth management.*

3. *There is an effect of the bank's competitiveness on the growth of the retail banking business.*

4. *There is an effect of risk management on the growth of retail banking business.*

5. *There is an effect of private wealth management on the growth of the retail banking business.*

6. *There is an effect of variable competitiveness on the growth of retail banking business through private wealth management.*

7. *There is an effect of risk management variable on the growth of Retail banking business through private wealth*

management.

METHODOLOGY

We conducted a survey on 32 banks engaged in private wealth management. The data were collected through an online survey and in-depth interview for five months, starting from October 2018 until March 2019. Total data collected were 60 respondents.

Demography	Category	Frequency	Percentage (%)
Table 1 SAMPLE CHARACTERISTICS			
Age	31 – 40	9	15
	41 – 50	31	51. 7
	51 – 60	17	28. 3
	61 – 70	3	5
Sex	Men	41	68. 3
	Women	19	31. 7
Job Position	CEO/DIRECTOR	16	26. 7
	EVP/SVP	22	36. 7
	VP	22	36. 7

This research uses Partial Least Square (PLS) as an analysis tool. PLS is the model which enabled proper measurement to deal with the limitation of sample number (Hair, Hult, Ringle, Sarstedt and Thiele, 2017). In this research, the number of banks in Indonesia engaged in Wealth Management is only a few due to the limited number of samples, then PLS model as one of the selections in the measurement of perception through questionnaire data.

Variable	Dimension	Indicator
Table 2 VARIABLE AND INDICATOR		
Bank's Competitiveness (X1)	Profitability	1. Price margin of PWM investment product. 2. Profit level of sales of investment product. 3. Amount of cost incurred for sales of investment product.
	Efficiency level	4. Reduced operating cost 5. Use of technology 6. Accelerated process
	Operational Coverage	7. Distribution of sales network 8. Front to end process
	Market Share	9. Amount of assets *10.* Access to *new market* 11. Consolidated growth of bank portfolio
Risk management (X2)	Market Risk	12. Impact of change in interest rate 13. Impact of change in the exchange rate
	Operational Risk	14. Ability to settle bank internal process 15. Human resource capacity
	Reputation Risk	16. Company Reputation 17. Level of trust in the company
	Strategic Risk	18. Increased bank's competitiveness 19. Creation of new products
Performance of	Fee-Based	20. Revenue from financial advisory services 21. Revenue purchase and sales of products

Private Wealth Management (Y1)	Net Interest Income (NII)	22.	The margin of interest Revenue from third-party fund customer
		23.	The importance of interest rate applied to customers
	Customer Loyalty	24.	Special attention to PWM Customer
		25.	Proper advisory services to PWM Customer
		26.	Feeling of security to PWM customers
	Human resource	27.	Special ability to render financial advisory services
		28.	Certification recognized in PWM
		29.	Communication Access
Growth of Retail banking business (Y2)	Market Share	30.	Corporate value as an impact on business growth
		31.	Correlation with competition in the banking industry
	Return on Asset (ROA)	32.	Increased profit from increased banking assets
		33.	Calculation of bank productive asset
	Revenue	34.	Growth of banking retail profit
		35.	Increased profit from sales of products

RESULTS AND DISCUSSION

Measurement Model Evaluation

Table 3 presents the Goodness of Fit (GOF) value of the absolute, relative, outer and inner model. All significant values approached one so that the model is suitable for the data.

Table 3 THE GOODNESS OF FIT INDEX	
Absolute	0.841
Relative	0.915
Outer model	0.984
Inner model	0.930

Analysis reflective measurement model was also conducted. This section used two approaches for reflective model evaluation. First, we calculated the composite reliability (Fornell & Larcker, 1981), which must be higher than 0,70 (or at least not less than 0,60). Second, we analyzed the standardized loading factor to assess the reliability of each item for each indicator. It must be above 0,70 or at least not lesser than 0,40 (Henseler et al., 2009) and was also significant.

In addition to the internal reliability of the measurement model, it is also necessary to perform bias research and construct validity. The method used to evaluate the bias and construct validity was discriminant validity. We used the Fornell-Larcker (1981) criteria based on a simple idea that indicator must be capable of explaining the dimension or research variable than explaining the dimension or other research variables. These criteria were verified if the quadratic root of AVE for each research variable is much greater than the correlation of Pearson variable and/or dimension. To ensure the convergent validity of a construct, the AVE should excel from 50, showing that research variable explained at least 50% of indicator variances (Götz et al. 2009). The result supports the convergent validity and discriminant of each reflective indicator. Only a few correlation values among more significant construct than AVE quadratic root indicating that the measurement model has good validity discriminant. Each indicator, dimension and variable have an average value ranging from 3.62 – 4.83, which falls under the high category.

Structural Model Evaluation

To determine the variance percentage shown by endogenous latent variable, which predicted the endogenous latent variable, determination coefficient (R^2). As a size of predictive strength, R^2 value can be interpreted in the same way as in the multiple regression analysis. The value 0,913 shows "Very Strong" model (Chin, 1998). Verification of model ability to predict the endogenous variable by calculating Q^2 Stone-Geisser. A positive value of Q^2 proved that the value observed is reconstructed appropriately and that the model has predictive relevance (Henseler et al., 2009). The value 0,02 shows little predictive ability; value 0,15 shows medium predictive ability, while the value 0,35 shows considerable predictive ability.

Table 4 DISCRIMINANT VALIDITY TEST		
Endogeneous variable	R^2	Stone-Geisser's Q^2
Performance of private wealth management	0.913	0.913
Retail Banking Business	0.876	0.985

Table 4 reports the values of all endogenous latent variable. It concludes that all endogenous latent variables can be predicted accurately either through research model developed from our endogenous variable shows positive value Q^2, proving that our model has at least some predictive relevance's the evaluation of path significance between Latent variable. To establish to which extent each predictive variable contributes to the variance explained on the endogenous variable, we evaluate the significance, amount and sign of individual path coefficient β, which can be interpreted in the same manner with standardized beta from ordinary smallest quadratic regression.

Table 5 reports the model structural coefficient β for each inner model path and t-test value and significance. It also provides a summary of support for our set of hypotheses 1 and 2.

Table 5 PATH SIGNIFICANCE OF INNER MODEL CORRELATIONS					
Hypothesis	From	To	Coefficient β	t-statistics (2 tailed)	Hypothesis supported? Y (yes) / N (no)
H1a	Bank's competitiveness	Performance of Private Wealth Management	0.494	102. 343	Y
H1b	Risk management	→	0.481	81. 320	Y
H2a	Bank's competitiveness	Growth of Retail banking business	0.311	54. 919	Y
H2b	Risk management		0.325	70.466	Y
H2c	Bank's competitiveness	→	0.322	85. 913	

DISCUSSION

The analysis found that the research bank's competitiveness and risk management variables have an impact on the positive and significant on the performance of private wealth management. The variable with the most impact is the bank's competitiveness. It was found that all bank's competitiveness variable, risk management and bank's competitiveness has an impact on

the positive and significant on the growth of the retail banking business. The complete model is presented in a path Figure 1.
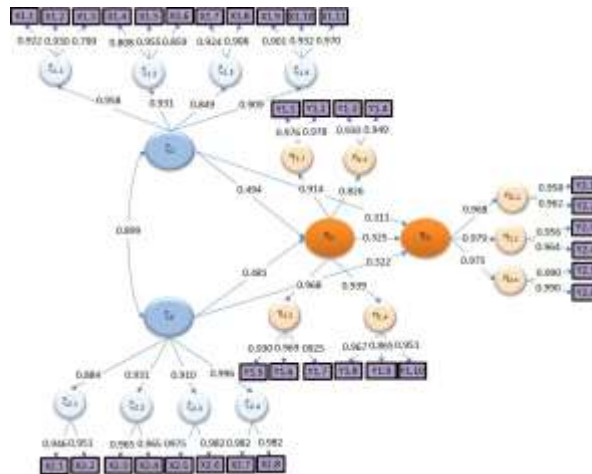

FIGURE 1
MODEL PARTIAL LEAST SQUARES

To examine whether variable private wealth management a full intervening or partial intervening, the Sobel test was carried out. Indirect impact test using the Sobel test illustrated in Table 6.

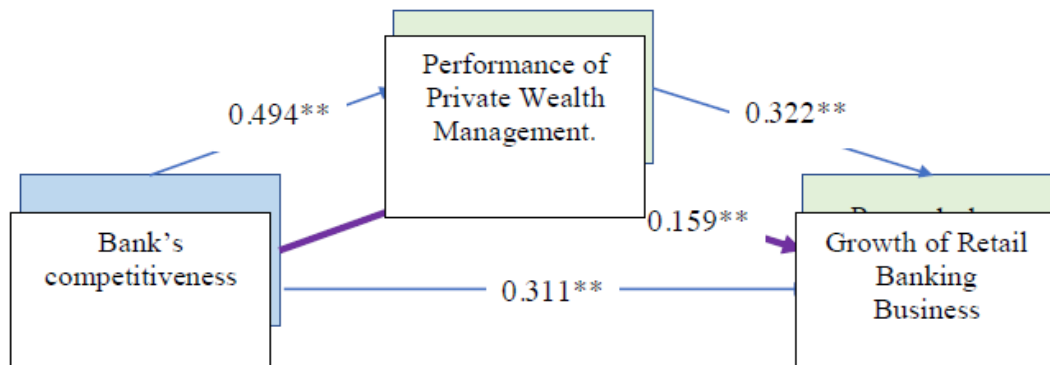| Table 6 INTERVENING IMPACT		
Effect	Amount of effect	t-test
Bank's competitiveness ☐ performance of Private wealth management ☐ growth of Retail banking business	0.159	86. 846
Risk management ☐ performance of private wealth management ☐ growth of Retail banking business	0.155	78. 153

FIGURE 2
DIRECT AND INDIRECT IMPACT BANK'S COMPETITIVENESS VARIABLE ON THE GROWTH OF RETAIL BANKING BUSINESS THROUGH THE PERFORMANCE OF PRIVATE WEALTH MANAGEMENT
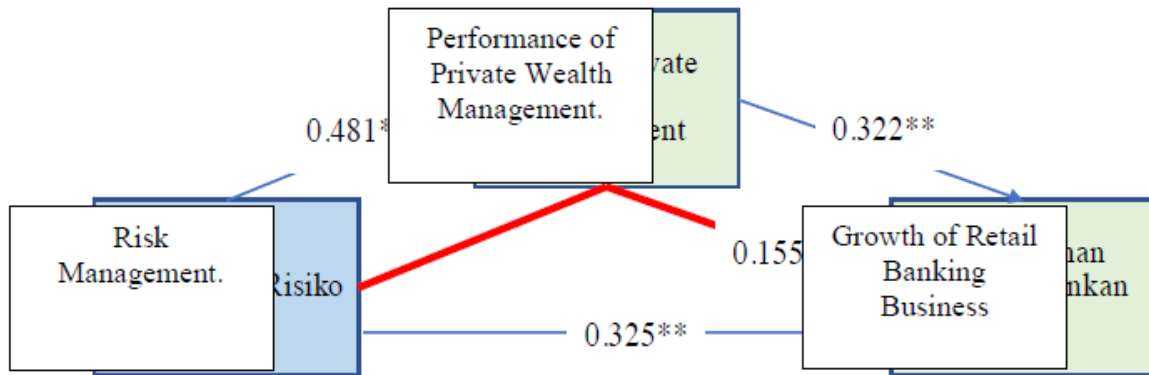
FIGURE 3
DIRECT AND INDIRECT IMPACT RISK MANAGEMENT VARIABLE ON THE GROWTH OF RETAIL BANKING BUSINESS THROUGH THE PERFORMANCE OF PRIVATE WEALTH MANAGEMENT

The calculation above shows that bank's competitiveness and risk management variables have Direct Impact on the growth of the retail banking business. Therefore, it may be concluded that the performance of the private wealth management variable as a partial intervening variable. Below presents the recapitulation of Direct and Indirect impact and total competitiveness and risk management variable and the performance of private wealth management on the growth of the retail banking business.

Table 7
DIRECT AND INDIRECT IMPACT OF BANK'S COMPETITIVENESS, RISK MANAGEMENT AND PERFORMANCE OF PRIVATE WEALTH MANAGEMENT ON THE GROWTH OF RETAIL BANKING BUSINESS

Variable	Direct	Indirect	Total
Competitiveness	0.311	0.159	0.470
Risk management	0.325	0.155	0.480
Performance of Private Wealth Management	0.322		0.322

The analysis found that variable with the most impact on the growth of retail banking business is risk management with a total impact of 0.480 deviation standard. The lowest is the performance of private wealth management since this variable is the intervening variable.

CONCLUSION

Some critical research findings are as follows. First, the most significant indicator on the bank's competitiveness is market share on the growth of bank portfolio. Second, in terms of risk management, the most significant indicator is the trust level of the bank, increased the bank's competitiveness and creation of new products. Third, for the performance of the private wealth management variable, it is shown that the most critical indicator is: revenue fee-based income. Third, this factor is significant in increasing the performance of private wealth management. Fourth, the most influential variable Retail banking business growth indicator is profit growth. Lastly, the hypothesis on the impact of the bank's competitiveness and risk management on the performance of private wealth management and impact on the growth of the retail banking business.

Based on the conclusions above, some significant recommendation is as follows. First, the bank should take into consideration the growth of the portfolio to increase the Market Share. Second, in the management of a bank, especially Retail Banking Business, risk management is very vital, especially for the above three aspects. Third, advisory service to the customer and human resource capacity in this matter relationship manager in providing financial advisory services to the customers. Fourth, Retail Banking Business will grow appropriately if the profit growth is positive. Lastly, it explains that positive change in bank's competitiveness and risk management will be capable of increasing the performance of wealth management and positive impact on the growth of retail banking business with the Intervening Impact variable on the performance of wealth management.

REFERENCES

Adeusi, S.O. (2013). Risk management and financial performance of banks in Nigeria. *IOSR Journal of Business and Management (IOSR-JBM), 4*, 52 – 56.

Allen, F., Demirguc-Kunt, A., Klapper, L., & Martinez Peria, M.S. (2016). The foundations of financial inclusion: Understanding ownership and use of formal accounts. *Journal of Financial Intermediation, 27*, 1–30.

Ang, Ser-Keng. (2010). A qualitative study on the challenges of private banking in Asia. *The Journal of Wealth Management Spring 2010, 12* (4) 68-77.

Beck, T, De Jonghe, O., & Schepens, G. (2013). Bank competition and stability: Cross-country heterogeneity. *Journal of Financial Intermediation, 22*(2), 218-44.

Berger, A.N., Klapper, L.F., & Turk-Ariss, R. (2009). Bank competition and financial stability. *Journal of Financial Services Research, 35(*2), 99-118.

Boone, J. (2008). A new way to measure competition. *Econ J.118,* 1245–1261.

Boyd, J.H., & De Nicoló, G., (2005). The theory of bank risk-taking and competition revisited. *Journal of Finance, 60,* 1329-1343.

Cao, J., Fischli, M., & Rieger, M.O. (2016). Should your bank invest for you? Evidence from private banking accounts. *Journal of Behavioral and Experimental Finance*.

Chang, S.C., & Tsai, P.H. (2015). A hybrid financial performance evaluation model for wealth management banks following the global financial crisis. *Technological and Economic Development of Economy, 22*(1), 21-46.

Chen, Y., & Lai, P. (2016). Does diversification promote risk reduction and profitability raise? Estimation of dynamic impacts using the pooled mean group model. *Journal of Applied Statistics. 44*(10) 1893-1901

Debrah K.A., (2007), Competition, Growth and Performance in the Banking Industry In Ghana."Dissertation of Strategic Management of the St Clements University.

Demsetz, H. (1973). Industry structure, market rivalry, and public policy. *Journal of Law and Economics,* 1–9.

Fane, G., & McLeod, R.H. (2002). Banking collapse and restructuring in Indonesia, 1997-2001. *Cato Journal, 22*(2), 277-95.

Ferreira, L., Borenstein, D., Righi, M.B., & Filho, A.T.A. (2017). Fuzzy hybrid integrated framework for portfolio optimization in private banking, *Expert Systems With Applications, 92, 350-362.*

Firth, M., Li, Wei, Wang, S.S. (2013). The growth, determinants, and profitability of nontraditional activities of Chinese commercial banks. 259-287

Fornell, C., & Larcker, D.F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research, 18*, 39–50.

Froud, J., Tischer, D., & Williams, K. (2016). It is the business model . . . Reframing the problems of UK retail banking. *Critical Perspectives on Accounting,* May 2016.

Götz, O., Liehr-Gobbers, K., & Krafft, M. (2009). Evaluation of structural equation models using the partial least squares (PLS) approach. In V. Esposito Vinzi, W. W. Chin, J. Henseler & H. Wang (Eds.), Handbook of Partial Least Squares: 691–712. Heidelberg, Germany: Springer Verlag.

Hair, J.F., Hult, G.T.M., Ringle, C.M., Sarstedt, M., & Tiele, K.O. (2017). Mirror, mirror on the wall: A comparative evaluation of composite-based structural equation modelling methods. *Journal of the Academy of Marketing Science, 45,* 616–632.

Heffernan, S. (2005). *Modern Banking.* John Wiley & Sons, Ltd.: Chichester, England.

Hidayat, W.Y., Kakinaka, M., & Miyamoto. H. (2012). Bank risk and non- interest income activities in the Indonesian banking industry. *Journal of Asian Economics, 23*, 335-343.

Jennings, W., Reichenstein, W., & Horan, S.M. (2015). Two key concepts for wealth management and beyond. *Financial Analysts Journal, 71*(1), 70–77.

Jiménez, G., Lopez J.A., & Saurina J. (2007). *How Does Competition Impact Bank Risk-Taking?,* Working Paper, Federal Reserve Bank Of San Francisco.

Keeley, M.C. (1990). Deposit insurance, risk and market power in banking. *American Economic Review, 80,* 1183-1200.

Lee, C.C., Lin, T.T., & Chen, C.J. (2010). The determinant of customer profitability on the financial institution. *The Service Industries Journal. 30*(14), 2311-2328.

Lepetit, L., Nys, E., Rous, P., & Tarazi, A. (2008). The expansion of services in european banking: Implications for loan pricing and interest margins. *Journal of Banking and Finance, 32*, 2325-2335.

Mahwah, N.J., Erlbaum, L., Chin, W.W., & Newsted, P. (1999). Structural equation modelling analysis with small samples using partial least sq.

Mulyaningsih, T. (2014). Banking competition and its relationship with banking stability: Evidence from Indonesia 1980 – 2010. PhD Thesis, Faculty of Business, University of Canberra.

Nguyen, J. (2012). The relationship between net interest margin and noninterest income using a system estimation approach. *Journal of Banking and Finance,* 2429 - 2437

Pangestu, M. (2003). The Indonesian bank crisis and restructuring: Lessons and implications for other developing countries. *G-24 Discussion Paper Series of United Nations Conference on Trade and Development, 23*(1), 36.

Price Waterhouse Coopers (2017). Indonesia Banking Survey 2017: Weathering the rise in credit risk. What's next for Banks in Indonesia?

Rhee, M., & Mehra, S. (2005). Aligning operations, marketing, and competitive strategies to enhance performance: An empirical test in the retail banking industry. *The International Journal of Management Science, 505 – 515.*

Rosengard, J.K., & Prasetyantoko, (2011). If the banks are doing so well, why can't i get a loan? Regulatory constraints to financial inclusion in Indonesia. *Asian Economic Policy Review, 6 (*2), 273- 96.

Schaeck, K., Cihak, M., & Wolfe, S. (2009). Are Competitive Banking Systems More Stable? *Journal of Money, Credit & Banking (Blackwell),* Jun 2009.

Sufian, F. (2012). Determinants of bank profitability in developing economies: Empirical evidence from the South Asian banking sectors. Contemporary South Asia. 20. 375-399.

Wongsansukcharon, J. (2013). A structural equation modelling development of relationship marketing orientation and business strategies affecting banking performance effectiveness. *International Journal of Arts & Sciences,* 579-593.

World Bank, (2013). Global Financial Development Report. Rethinking the Role of State in Finance.

Zubairi, H.J., & Ahson, S. (2015). Balancing risk management and profitability. *Pakistan Business Review*, 264 – 287.