



Bank Soundness Level with Camel Method

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Abstract

The objectives to be achieved in this study are to determine the financial performance of Bank Sulsebar in the last three years using the CAMEL method. Data collection techniques in this study were survey methods, literature review and accessing the web and related sites. In this study, the population is all the annual financial statements of the Enrekang Branch of Bank Sulsebar. The sample used is the annual financial reports issued for the last three years, from 2019 to 2021. The results showed that using the CAMEL analysis method to measure financial performance, Bank Sulsebar was classified as a banking company with a healthy predicate. The CAMEL values indicate this from 2019 to 2021, which were 91.28, 91.17 and 91.47. Based on the results of these calculations, it can be seen that the CAMEL value of Bank Sulsebar during the period 2019 to 2021 experienced a fluctuating trend. This also shows that during the same period, Bank Sulsebar performed well in managing all of its resources when viewed based on the calculation results of the CAMEL Ratio.

Keywords: *CAMEL Method; Bank Soundness Level*

Introduction

Developments in the banking world are speedy, and the high level of complexity can affect a bank's performance. The high complexity of the banking business can increase banks' risks in Indonesia. Due to the many turmoils in the banking sector, Bank Indonesia created the Indonesian Banking Architecture (API), a comprehensive framework for the banking system that provides direction, shape and order for the banking industry for the next five to ten years.

One of the substantial efforts can be seen in the enactment of regulation by Bank Indonesia as the banking supervisory authority in Indonesia, which regulates the soundness rating system for commercial banks as a measure of banking performance.

Financial reports are the result of the accounting process for a certain period which is the result of collecting economic data presented in the form of financial reports or other summaries that can be used as a tool for users in assessing company performance so they can make the right decisions. The stability of banking institutions is very much needed in an economy; this stability is not only seen from the amount of money in circulation but also seen from the amount that exists as a tool for financial administration; company performance appraisal for management can be interpreted as an assessment of the achievements that can be achieved in this case profit can be used as a measure of the successes achieved in a company.

Enrekang, in general, Bank Sulselbar is one of the banks that currently exists, in Enrekang City in particular. The Regency has played an essential role in the progress of this area since its inception. The main feature is that Bank Sulselbar is the regional treasury holder and is a source of local revenue through the various banking products it issues. Due to the particular function carried out by Bank Sulselbar, management performance will be of concern to the public and the provincial and regional governments that invest their regional capital in this bank. The expected management performance will be seen in the ability of Bank Sulselbar to collect and manage public funds to provide added value to the region then.

This study aims to analyze/find out the financial performance at PT. Bank Sulselbar Enrekang Regency using the CAMEL method.

Hypothesis

"It is suspected that the financial performance of PT. Bank Sulselbar, Enrekang Regency using the CAMEL (Capital, Asset, Management, Earning, Liquidity) method is in the healthy predicate.

Research Methods

This study uses a descriptive analysis method, which describes the assessment of the soundness of a bank using the CAMEL method. The data analysis method model used is an explanatory analysis model.

In this study, the authors used secondary data in quantitative form. Secondary data is a source of data obtained by researchers indirectly through intermediary media. This secondary data is generally in the form of evidence, historical records or reports compiled in published and unpublished archives (documentary data).

In this study, the authors used documentation techniques to obtain data. The documentation technique is a method used to trace historical data. The documentation technique in this study was carried out by examining the data obtained, namely the annual financial reports of Bank Sulselbar, Enrekang Regency, for the 2019-2021 period.

Hypothesis Test

1. Capital Factor

One factor affecting financial performance, especially for every banking company, is the capital factor. This capital factor assessment is measured by comparing capital to weighted assets.

The formula used is presented in the following form:

$$\text{CAR} = \frac{\text{MS}}{\text{AT}} \times 100 \%$$

Where:

CAR: Capital Adequacy Ratio

MS: Own Capital

AT: Weighted Assets

Following are the results of calculating the CAR ratio for 2019 to 2021, which can be seen in table 2 below:

Table 4.1, Car Calculation Results Pt. Bank Sulselbar Cab. Enrekang
PERIOD 2019 – 2021 (in millions of rupiah)

Year	Own Capital (Million Rp)	Weighted Assets (Million Rp)	CAR
2019	163.831	1.041.647	15,92%
2020	199.125	1.195.345	16,66%
2021	238.019	1.448.337	16,43%

Source: Processed data for 2022

Based on table 4.1, namely the CAR calculation results, it can be seen that the capital of PT. Bank Sulsebar in 2019 was Rp. 163,831,000,000, then in 2020 PT. Bank Sulsebar's capital was Rp. 199,125,000,000, or an increase of 21.54% from the year 2019. And in 2021, PT. Bank Sulselbar's capital increased by 19.53% from 2019 IDR 238,019,000,000. For the ATMR value in 2019 of Rp. 1,041,647,000,000, then in 2020 PT. Bank Sulselbar RWA was Rp. 1,195,345,000,000, or an increase of 14.76% from 2019. And in 2021, PT. Bank Sulselbar RWA has increased by 21.16% from 2020 of Rp. 1,448,337,000,000.

Based on the results of calculating the CAR ratio from 2019 to 2021, the CAR ratio value is greater than the criteria for assessing the soundness of a bank set by Bank Indonesia at 8%. Then the ratio achieved by PT. Bank Sulselbar is ranked I or is in the HEALTHY predicate.

2. Asset Quality Factor

The quality of earning assets can be calculated using the ratio of Earning Asset Quality (KAP) which is expressed as a percentage:

$$\text{KAP} = \frac{\text{Aktiva Produktif yang diklasifikasikan}}{\text{Total Aktiva Produktif}} \times 100\%$$

Table 4.4, Kap Ratio Pt. Bank Sulselbar Cab. Enrekang Period 2019-2021

Year	Account		KAP ratio APYD/AP x 100% (%)
	APYD (in Million Rp)	AP (In Million Rp)	
2019	11.264	1.445.281	0,78
2020	19.142	2.313.562	0,83
2021	18.108	2.452.815	0,74

Source: Table 4.2, Table 4.3. processed data (2022)

The results of calculating the KAP ratio in 2019 to 2021 show that the KAP ratio does not exceed 0.00% - <= 10.35%, according to the standards set by Bank Indonesia, the KAP ratio achieved by PT. Bank Sulselbar is ranked I or is in the HEALTHY predicate.

3. Management Factors

The NPM ratio is calculated using a quantitative method, namely the Net Profit Margin ratio, by dividing net profit by operating profit, which is expressed as a percentage:

$$\text{NPM} = \frac{\text{Net Profit}}{\text{Operational profit}} \times 100\%$$

Table 4.5, Npm Ratio Pt. Bank Sulselbar Cab. Enrekang Period 2019-2021

Year	Account		NPM Ratio
	LB (In Million Rp)	LO (In Million Rp)	LB / LO x 100% (%)
2019	43.064	63.929	67,36
2020	47.953	71.226	67,33
2021	52.239	77.073	67,78

source: processed data (2020)

Table 4.5 shows that the value of the NPM ratio decreased in 2020 to 67.33% from the previous 67.36% in 2019 due to the growing operating profit, which was greater than the company's net profit growth. From 2019 to 2020, operating profit increased by 11.41% compared to net profit, which grew lower by 11.35% in the same period. In 2021, the NPM ratio increased to 67.78% compared to the previous year of 67.33%.

4. Profitability Factor

The assessment of the profitability factor is based on two indicators, including Return on Assets (ROA) and Operational Costs to Operating Income (BOPO). The ROA formula is expressed as a percentage as follows:

$$\text{ROA} = \frac{\text{Profit Before Tax}}{\text{Total Assets}} \times 100\%$$

The following is the calculation of the ROA ratio owned by Bank Sulselbar during 2019-2021:

Table 4.6, Roa Ratio Pt. Bank Sulselbar Cab. Enrekang Period 2019-2021 (In Millions of Rupiah)

Year	Account		ROA Ratio
	EBT	TA	EBT / TA x 100%
2019	62.219	1.653.235	3,76
2020	68.499	2.632.125	2,60
2021	74.644	3.256.608	2,29

Source: processed data (2022).

Based on the results of calculating the ROA ratio from 2019 to 2021, the value of the ROA ratio for PT. Bank Sulselbar is above 1.25% following Bank Indonesia's health standards; the ratio achieved by PT. Bank Sulselbar is ranked I or is in the HEALTHY predicate.

The BOPO formula is expressed as a percentage as follows:

$$\text{BOPO} = \frac{\text{Operating Cost}}{\text{Operating Income}} \times 100\%$$

Table 4.7, Bopo Ratio Pt. Bank Sulselbar Cab. Enrekang Period 2019-2021 (In Millions of Rupiah)

Year	Load Ammount Operational (BO) (In Million Rp)	Total Operating Income (PO) (In Million Rp)	BOPO Ratio BO / PO x 100% (%)
2019	165.419	229.348	72,13
2020	232.590	303.816	76,56
2021	263.735	340.808	77,39

Sumber: Data diolah (2020)

Based on the results of calculating the BOPO ratio from 2019 to 2021 shows a ratio value that does not exceed 93.5%; according to Bank Indonesia standards, the BOPO ratio achieved by PT. Bank Sulselbar is ranked I or is in the HEALTHY predicate.

5. Liquidity Factor

The LDR ratio is obtained by dividing bills and loans with funds from third parties. The LDR formula is expressed as a percentage as follows:

$$\text{LDR} = \frac{\text{The Ammount of Credit Granted} \times 100\%}{\text{Third-party funds}}$$

Table 4.8, Ldr Ratio Pt. Bank Sulselbar Cab. Enrekang Period 2019-2021

Year	Bill & Credit Which are Given (TK) (In Million Rp)	Funds From Third Party (DPK) (In Million Rp)	LDR Ratio TK / DPK x 100% (%)
2019	973.502	1. 403.620	69,39
2020	1.139.442	2.321.292	49,07
2021	1.400.517	2.710.909	51,66

Source: Processed Data (2022).

But generally, from 2019 to 2021, when measured based on Bank Indonesia regulations, Bank Sulselbar was declared a healthy bank because it has an LDR below 115%.

Discussion

1. Capital Factors

Based on the results of calculating the CAR value in the last three years (2019 to 2021), the results of calculating the CAR credit value can be presented in the following table:

Table 4.11, Car Credit Value Pt. Bank Sulselbar Cab. Enrekang Period 2019-2021

Year	Car Ratio (%)	Credit Score (%)	Maximum
2019	15,92	160,2	100
2020	16,66	167,6	100
2021	16,43	165,3	100

Source: Processed Data (2020)

Table 4.11 shows the CAR ratio and credit score, which shows that in 2019 the CAR ratio was 15.92%, and the credit score was 160.2. Whereas in 2020, there was an increase of 0.74%, credit scores also increased. And in 2021, the CAR ratio decreased by 0.23%, so the credit value also decreased. According to the provisions of Bank Indonesia, the maximum value is 100, so the credit value of the CAR ratio for three years is set at 100.

2. Asset Quality Factor

Classified earning assets are earning assets with the quality of substandard, doubtful and loss. Classified earning assets are often also called troubled earning assets.

Bank Sulselbar in 2019 had a KAP ratio value of 0.78%, and in 2020, it increased from 0.05% to 0.83%; in 2021, it decreased to 0.74% from 0.83 in 2020. A significant decrease The earning asset quality ratio was triggered by a decline in earning assets in the form of placements with other banks, loans, company commitments and contingencies. To maintain liquidity reserves (secondary reserves) and generate optimal income, efforts have been made to place them in short-term funds with other banks. The results of calculating the KAP ratio in 2019 to 2021 show that the KAP ratio is in the range of 0.00% - <= 10.35%, which in this value range indicates that PT. Bank Sulselbar Cab. Enrekang is on the HEALTHY predicate.

3. Management Factors

Management factors at PT. Bank Sulselbar Cab. It can be seen from Enrekang that from 2019 to 2020, the credit value of the NPM ratio continued to decrease, which was directly proportional to the value of the NPM ratio. The NPM ratio credit value reflects the level of effectiveness that can be achieved by the bank's operational business, which is related to the final results of the various policies and decisions implemented by the bank in the current period. And in 2021, the NPM ratio value increased to 67.38% from 67.33% in 2020. The credit ratio value achieved by Bank Sulselbar over the past 3 (three) years shows an increase and decrease in value.

4. Profitability Factor

The profitability factor describes the bank's ability to earn profits through all available capabilities and resources.

Based on Table 4.22, profit before tax in 2019 amounted to Rp. 62,219,000,000. in 2020, profit before tax increased by 10.10% to Rp. 68,449,000,000. And in 2021, profit before tax again increased by 8.97% to Rp. 74,644,000,000. Total assets in 2017 amounted to Rp. 1,653,235,000,000. The total assets have increased in 2020 and 2021 by Rp. 2,632,125,000,000, or an increase of 59.21% for 2020 and amounted to Rp. 3,256,608,000,000, or an increase of 23.73% for 2021. Based on the calculation of the ROA ratio from 2019 to 2021, the value of the ROA ratio for PT. Bank Sulselbar is above 1.25% following Bank Indonesia's health standards; the ratio achieved by PT. Bank Sulselbar is ranked I or is in the HEALTHY predicate.

Based on Table 4.28, it is known that the realized costs in 2019 amounted to Rp. 165,419,000,000. These costs increased in 2020 by Rp. 232,590,000,000, or 40.61%. And the realization of expenses in 2021 increased by 13.39% to Rp. 263,735,000,000. Revenue in 2017 amounted to Rp. 229,348,000,000 This income has increased in 2020 and 2021, each by 32.50%, so it becomes Rp. 303,816,000,000 in 2020 and 12.18% in 2021 to Rp. 340,808,000,000. Based on the results of calculating the BOPO ratio from 2019 to 2021 shows a ratio value that does not exceed 93.5%; according to Bank Indonesia standards, the BOPO ratio achieved by PT. Bank Sulselbar is ranked I or is in the HEALTHY predicate.

5. Liquidity Factor

Analysis of the liquidity component is an analysis carried out on a bank's ability to meet its short-term obligations or obligations that are due. Based on the provisions issued by Bank Indonesia, the bank's liquidity component is measured based on the Loan Deposit Ratio (LDR). Based on the ratio table, Bank Sulsebar's LDR decreased in 2020 to 49.07% from the previous 69.36% in 2019 due to the growth of third-party funds, which was more significant than the growth in loans. During 2020, the collection of third-party funds increased by 65.38% compared to the number of loans extended by companies which grew lower by 17.05% in the same period.

And in 2021, the LDR ratio was recorded to have increased to 51.66% from the previous 49.07% in 2020. This was because the growth in loans provided was more significant than the growth in third-party funds. In 2021, the number of loans extended by 22.91% compared to the collection of third-party funds, which only increased by 16.78% in the same period.

But generally, from 2019 to 2021, when measured based on Bank Indonesia regulations, Bank Sulsebar was declared a healthy bank because it has an LDR below 115%. To determine the CAMEL value obtained by Bank Sulsebar for the LDR ratio, it must first know the credit value resulting from this LDR ratio. From the credit score received, it can be seen that the condition of a bank, in general, has been combined with other components in the CAMEL ratio. The credit score weight for the LDR ratio is obtained by deducting the maximum credit score from the LDR ratio based on Bank Indonesia regulations with the LDR ratio value that has been received. The weight of the credit score ratio of LDR to be categorized as a healthy bank based on Bank Indonesia regulations is 100.

Overall, the average CAMEL value of Bank Sulsebar from 2019 to 2021 is 91.31%. According to the standards set by Bank Indonesia, the average CAMEL value of PT. Bank Sulsebar Cab. Enrekang is healthy. It also shows that during the same period, PT. Bank Sulsebar, Enrekang Regency, has a reasonably good performance in managing all its resources when viewed based on the calculation results of the CAMEL Ratio.

Conclusion

Based on the five variables used in the CAMEL method at Bank Sulsebar are as follows:

1. Capital Adequacy Ratio

Based on the Capital Adequacy Ratio (CAR), from 2019 to 2021, Bank Sulsebar has sufficient capital to cover all risks that may arise from investing in productive assets that contain risks and to finance investments in fixed assets and inventory. This is evidenced by the CAR values of 15.92% in 2019, 16.66% in 2020, and 16.43% in 2021. Thus, the CAR ratio values obtained during 2019-2021 are equal to more than 8% and are in the healthy predicate per the standards set by Bank Indonesia.

2. Asset Quality

Based on the earning asset quality ratio (KAP), from 2019 to 2021, Bank Sulsebar has good asset quality concerning the credit risk faced by banks due to loans and classified earning assets. To reduce non-performing loans, efforts are made to make credit improvements following the agreements included in the credit agreement, while for new loans, efforts are made to be carried out with the principle of prudence. The KAP ratio value in 2019 was 0.78%, 0.83% in 2020 and 0.74% in 2021. The KAP ratio value from 2019 to 2021 did not exceed 15.5%, stating that the bank is in a healthy predicate following the standards set by Bank Indonesia.

3. Quality Management

Based on the Net Profit Margin (NPM) ratio from 2019 to 2021, Bank Sulselbar has a relatively good level of effectiveness related to the final results of various policies and decisions that have been implemented by the company from 2019 to 2021 with a ratio value of 67.36% in 2019, with 67.33% in 2020, and 67.78% in 2021.

4. Earnings

Based on the Return on Assets (ROA) ratio, from 2019 to 2021, Bank Sulselbar has good management quality in using its assets to make profits with a ratio value of 3.76% in 2019, 2.60% in 2020 and amounted to 2.29%. The value of the ROA ratio proves this from 2017 to 2019, which achieved more than 1%, so it is in the healthy predicate following the standards set by Bank Indonesia.

Meanwhile, based on the ratio of Operating Expenses to Operating Income (BOPO) from 2019 to 2021. Bank Sulselbar has good management quality in controlling operating costs to operating income with successive values of 72.13%, 76.56% and 77.39%. The value of the BOPO ratio proves this from 2019 to 2021, which did not exceed 93.5%, so it is in the healthy predicate following the standards set by Bank Indonesia.

5. Liquidity

Based on the Loan to Deposit Ratio (LDR) ratio, from 2019 to 2021, Bank Sulselbar has good quality in paying all of its debts, mainly deposits, current accounts and deposits when billed, and can fulfil all proper credit applications approved with a ratio value obtained in 2019 of 69.36%, 49.07% in 2020, and 51.66% in 2021. This proves that the LDR ratio value from 2019 to 2021 achieved did not exceed 115 % and is in a healthy predicate following the standards set by Bank Indonesia.

Suggestion

For future researchers, this research is limited because it only examines one company, Bank Sulselbar, in 2019-2021. For further investigation, they can sample the same bank for a more extended period to obtain more complete research results. And can also extend the same analysis to different types of banks.

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