ICEBIT

The 4th International Conference On Economics , Business and Information Technology

June 10, 2023 pp. 424-429

Analysis Of Financial Performance Health

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ABSTRACT

Bank institution came for transaction distribution activity to push the effective and efficient money circulation in society. Generally, the types of banks that exist are divided into three forms of the banks are Central Banks, Commercial Banks, and Rural Banks. **Urgency of** this study, the bank needs to do inspection the financial performance on its financial statement report based on appropriated calculation by BI DIR 30/12/30 April 1997. It is important evaluation sector performance banking especially BPR to be encourage for themselves to increase the competition to the other banks and it will be the challenge for BPR to distribute credit with good performance. It is because People's Credit Bank has remote capacity more narrow compared to other commercial banks. In principle, financial soundness assessment is the interest of owners and managers of banks, the community users of banking services, or bank supervisors. So that the subject for this research is BPR ADY Jember. **The purpose of this** research is to know the financial health of BPR ADY Jember finance and measure it with CAMEL method. While, the operational definition of CAMEL method refers to performance financial concept. They are valuation *Capital, Assets, Management, Earnings, Liquidity.*

Keywords : 'CAMEL'; 'Reports Finance'; 'Health Financial Performance'.

1. INTRODUCTION

Financial transaction activities carried out by the community in the modern era are now carried out by third parties who channel public funds to other communities through several schemes and distribution places. Banking is present to channel these transaction activities to encourage effective and efficient money circulation in society. Banking business is always related to financial matters, including 1) collecting funds, 2) channeling funds, 3)providing other services. The activity of collecting and channeling funds is the main activity of banking, while the activity of providing other services is only a supporter of these two activities, "collecting funds *ifunding)* means collecting or looking for funds (money) by buying deposits". (Kasmir & Lainnya, 2014) The collection of funds is done by attracting public interest to invest their funds in banks. Meanwhile, "the definition of channeling funds is throwing back funds obtained through demand deposits, savings, and deposits to the public in the form of loans (credit)"(Kasmir & Lainnya, 2014). In the distribution of funds *(lending),* bank interest also charges loan services to credit recipients *(debtors)* in the form of administrative fees and fees and commissions, while in sharia-based banks based on profit sharing or equity participation.

In general, the types of banks that exist are divided into 3 namely Central Banks, Commercial Banks, and Rural Banks. The central bank here is Bank Indonesia which has the authority to provide guidance and supervision to banking institutions so that they are able to operate effectively and efficiently, with healthy performance and able to face increasingly global competition by monitoring their health level through the health assessmentsystem regulations contained in the Bank Indonesia Board of Directors Decree No. 30/12/KEP/DIR dated April 30, 1997 with the CAMEL calculation standard *(capital, asset quality, management, earning, and liquidity).* Meanwhile, banks are divided into two types based on their performance, namely Commercial Banks and Rural Banks (BPR). Thedefinition of Commercial Bank according to Law Number 10 of 1998 (in Kasmir, 2014: 23), "banks that carry out business activities conventionally and / or based on sharia principles which in their activities provide services in payment traffic". Meanwhile, the definition of People's Credit Bank (BPR) according to Law Number 10 of 1998 (Kasmir & Lainnya, 2014) is a bank that carries out business activities conventionally or based on sharia principles which in its activities do not provide services in payment traffic ".

In principle, financial health assessment is in the interests of bank owners and managers, the community of bank service users, or bank supervisors and Trustees. Mangkuprawira in (Lianawati et al., 2016) explains that, "performance appraisal should be based on a thorough analysis by considering the job descriptions and specifications that are being applied. Analysis to maintain the health of a BPR, not only assessed on the development of financial factors, but the development of management and policy of the Rural Bank (BPR) must also be balanced ". The importance of performance appraisal in the banking sector, especially BPR, is an impetus for BPR itself to increase competition against other banks. The current state of economic stagflation is a challenge for BPRs themselves to channel credit with performance that must continue to be improved. Analysis of the health of **BPR** in this study which still uses SK No.30/12 / KEP / DIR dated April 30, 1997, due to the absence of basic changes in the latest regulations from Bank Indonesia.(Lianawati et al., 2016)

Based on the explanation above, the difference between Commercial Banks and BPRs can be seen from the activities carried out, BPR activities are much narrower when compared to commercial banks. Based on the regulation of the Financial Services Authority in general provisions articles 1 and 2 states that "the health level ofBPR and BPRS is the result of an assessment of the condition of BPR and BPRS carried out on several factors. ..so that it is obliged to maintain and/or improve the health level of BPR and BPRS. ..." (Regulation Number 3/PJOK.03/2022). This health analysis is felt to be able to analyze and evaluate the performance of BPR as aninternal control and evaluate the performance of BPR as an internal control and predicted problems that will arise so that they can be anticipated early on. So it is necessary to assess financial performance in order to determine the level of financial health of the bank. Researchers chose ADY Jember Rural Bank to examine the health level of financial performance with CAMEL calculations.

2. LITERATURE REVIEW

2.1 Financial Report

According to (Kasmir & Lainnya, 2014), "the bank's financial statements show the bank's overall financial condition. From this report it will be read how the real condition of the bank, including its weaknesses and strengths. This report also shows the performance of bank management during one period". The existence of this financial report will provide a role for banks to evaluate themselves by improving their weaknesses and maintaining their shortcomings. Financial reports basically is the end result of the accounting process within a certain period is the result of data collection financials are presented in the form financial statements or summaries others that can be used as tools for internal users assess the performance of such companies can make the right decision. (Afriyanto, 2015)

2.2 Bank Financial Performance Health Level

Bank health is measured using CAMEL analysis. This analysis consists of several assessment elements. According to (Kasmir & Lainnya, 2014), "Health assessment will affect the bank's ability and customer loyalty to thebank concerned. One of the tools to measure bank health is the CAMEL analysis". The elements of the assessment are as follows (Setiyono & Aini, n.d.) :

a. Capital

The assessment is based on the capital owned by one of the banks. One assessment is the CAR *(capital adequacy ratio)* method, which compares capital to risk-weighted assets

$$\text{CAR} = \frac{\text{Bank Capital}}{\text{Risk weighted assets}} \text{ x } 100\%$$

b. Asset (asset Quality)

NPL or *Non Performing Loan* is the rate of return on credit given to banks in other words NPL is the level of bad credit at the bank. The asset quality indicator used is the ratio of non-performing productive quality to productive assets. The assessment is based on the quality of assets owned by the bank. There are two kinds of ratios measured, namely:

1. Ratio of classified earring assets to earning assets (KAP)

$$\text{KAP}= \frac{\text{Classified earning assets}}{\text{Totally earning assets}} \text{ x } 100\%$$

2. Ratio of allowance for possible losses on earning assets to classified earning assets **(PPAP)** to the allowance for possible losses on earning assets (PPAPWD).

$$\text{PPAP} = \frac{PPAD}{PPAWD} x100\%$$

c. Management

According to BI Circular No. 30/21/KEP/DIR/97, the components of the assessment of general management and risk management factors using a list of questions or questionnaires with the number of questions on foreign exchange banks as many as 25 questions, there are consist of 10 questions of management and 15 questions of risk management questions. (Rizky Noer & Winarni, 2020) According to BI circular letter No.6/23/DPNP Year 2004, the assessment of management factors, among others, is carried out through an assessment of the components of General Management contains questions and statements about strategy or objectives, structure, human resources, leadership and work culture, while Risk Management contains of questions and statements about liquidity risk, market risk, credit risk, operational risk and legal risk. (Alin, 2015) Aspects of quality management using Net Profit Margin (NPM) with the following formula:

$$\text{NPL} = \frac{Bad\ Loans}{amount\ of\ credits}\ x\ 100\%$$

d. Earning

1. The Return On Asset (ROA) ratio the ratio of gross profit to business volume can be calculated using the formula :

$$ROA = \frac{\text{Profit before tax}}{\text{Total assets}} \times 100\%$$

NK ROA ratio = Ratio ROA : 0,15%
NK ROA factor = NK ROA ratio x ROA weight ratio

e. Liquidity

1. Cash Ratio (CR)

$$\text{Cash Ratio} = \frac{\text{Liquid tolls}}{\text{Current lialibities}} \times 100\%$$

NK CR Ratio = Ratio : 0,05%
NK CR factor = NK Cash ratio x CR weighr ratio

2. Loan to Deposito Ratio
The ratio of loans granted to funda received, calculated by the formula:

$$LDR = \frac{\text{Given credit}}{\text{Received fund}} \times 100\%$$

$$\text{NK LDR rati} = \frac{115\% - \text{LDR ratio}}{0{,}025\%} \times 100\%$$

NK LDR factor = NK LDR x LDR weight ratio

Tabel 1. Financial Health Rasio with CAMEL method

Kriteria	CAR	KAP	NPL	ROA	BOPO	LDR
Sehat	>8%	0,0% < 10,35%	>2% - < 5%	>1,22 %	< 93,52 %	≤94,75%
Cukup sehat	7,9 – 8 %	10,35 – 12,60%	>5% - < 8 %	0,99 – 1,21 %	93,52 – 94,73 %	≥94,75% - <98,50%
Kurang sehat	6,5 - <7,9%	12,61 – 14,85%	>8% - < 12%	0,77 – 0,98 %	94,73 – 95,92 %	≥98,50% - <102,25%
Tidak sehat	< 6,5 %	>14,86%	>12%	< 0,76 %	< 95,92 %	>102,25%

Source : (Andriasari & Munawaroh, 2020)

2.3 Rural Bank

Based on a copy of the Financial Services Authority regulation Number 3/POJK.03/2022, "Rural Banks, hereinafter abbreviated as BPRs, are conventional banks whose activities do not provide services in payment traffic". In order to encourage the growth of BPR, OJK seeks to carry out transformation by paying attention to the quality of BPR and increasing its development. One of them is through cooperation and consolidation with commercial banks. Rural Banks that must be healthy and can be trusted by the community. this is because BPR is part of the banking system that aims to be able to drive and build a healthy and comprehensive regional economy. The presence of this BPR can help people who have a businesss. (Saleo et al., 2143) BPR activities are limited by various requirements, so they cannot act as broadly as commercial banks. In practice, BPR activities are to collect funds in the form of savings and time deposits, as well as distribute funds in the form of investment credit, working capital credit, and trade credit. BPRs are prohibited from accepting demand deposits, participating in the clearing, conducting foreign exchange and insurance activities. (Kasmir & Lainnya, 2014)

3. CAMEL METHOD FOR FINANCIAL HEALTH

3.1 Capital Factor/Capital *Adeuqyacy* Ratio (CAR)

The standard on the minimum capital requirement or CAR is used to measure how strong the bank's capital covers the risks that exist in the bank. If the CAR value is high, the bank is able to finance operational activities and make a significant contribution to profitability. (Murdiati & Purwanto, 2014). In general, the CAR ratio has decreased due to the increasing amount of RWA which is not accompanied by theamount of capital which shows that the growth of capital from year to year has not increased. So that the resulting decrease in the CAR ratio means that the BPR is unable to provide capital. Where the indicator that shows thegreater the CAR *(Capital Adequacy Ratio)* owned by the bank, the better it will be because the bank is able to provide a large amount of capital.

3.2 Asset Quality Factor (Assets Quality Aspect)

Asset ratio is a measure to assess the level of efficiency of the bank in utilizing its resources or the types of assets owned by the bank. Assessment of the asset ratio is by calculating the value of the quality of productive assets

(KAP). The KAP ratio is used to measure the degree of possible readmission of invested funds. The lower the KAP ratio, the higher the probability of re-receipt of invested funds. (Sabra Qadrullah & Rasyid Umrie, 2015) (Andriasari & Munawaroh, 2020)

3.3 Management Factors / Profit Margin (NPM)

Management will determine whether a bank is healthy or not. The risk management questionnaire is divided into sub-groups relating to liquidity risk, market risk, credit risk, operational risk, legal risk and owner and manager risk. BOPO shows the level of efficiency. Efficiency is needed to determine the suitability of financing to the allocation of funds made. (Rizky Noer & Winarni, 2020) So that efficiency measurement is needed to provide a cost threshold in carrying out bank operational activities.

3.4 Earning Factor

1) Ratio of profit to total assets *{Return on Assets-* ROA).

ROA is the ratio of profit before tax in the last 12 months to the average volume of business in the same period. The greater the ROA of a bank, the greater the level of profit achieved by the bank and the better the positionof the bank from the use of assets.

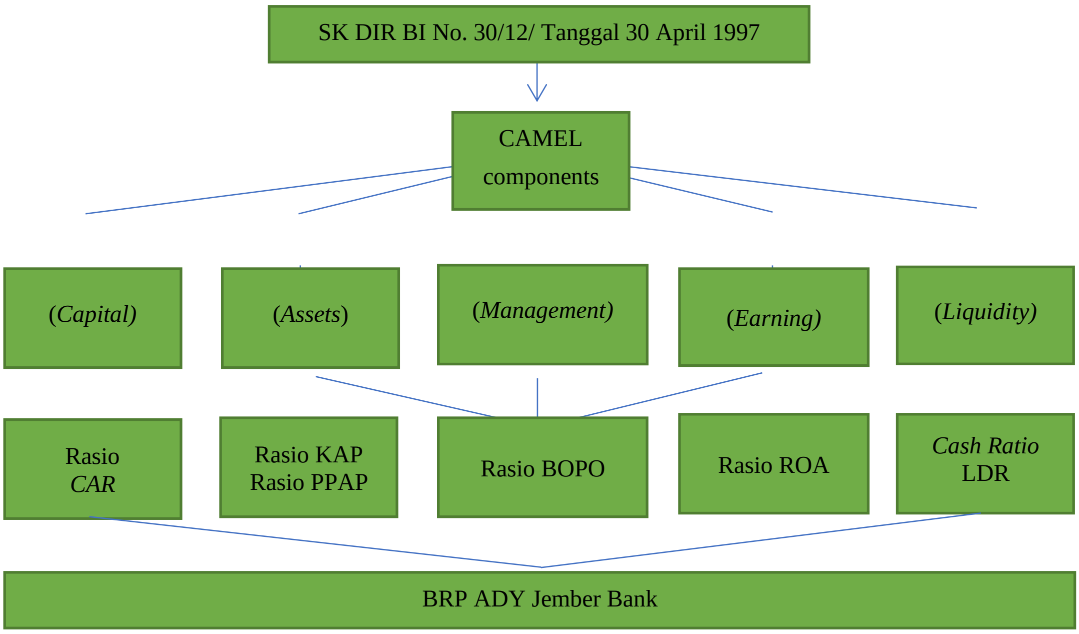
2) Liquidity Factor

Assessment of the liquidity factor includes 1) The adequacy ratio of liquid assets *(cash* ratio / CR), this is a comparison between liquid assets to current debt. There needs to be prudence for BPR ADY Jember in providing credit or loans to the public. The number of loans given to the public determines the smoothness of banking debt. 2)Loan to deposit ratio (LDR) is the ratio between loans to funds received by the bank. Funds received by the bank include deposits and savings, loans not from other banks for more than 3 months. Whether the loan is smooth or notdetermines how smoothly the funds come to the bank. The higher the ratio obtained, the lower the bank's liquidity ability, so that the ability of a bank will be in a problematic condition. Liquidity determines how capable and loans given to the public can return to the bank. Thus, the bank is said to be liquid if :(Rosdiana & Sumanto, 2017)

1) Have *cash assets* equal to the amount needed to fulfill its liquidity;
2) Has a smaller *cash asset* than item one above, but also has other assets (securities) that can be liquidated at any time without experiencing a decrease in market value
3) Has the ability to create new *cash assets* through various forms of debt.

Current debt will affect the ability of banking liquidity, the ratio on liquidity shows the bank's ability to pay maturing obligations with its *cash assets*. (Olparika & Kristianto, 2015) Based on the credit value formula, this formulation becomes a credit value,namely 0% gets a credit value of 0 and every increase of 50.05 the credit value is added 1 with a maximum of 100,so that the assessment weight is 5% of the overall CAMEL factor assessment.

4. CONCEPTUAL FRAMEWORK



a. Capital

The world of bank, capital is the main thing to run a financial business, especially in rural banks, capital is used to distributing limited financial activities to the local community in the form of Credit, Investment, venture Capital, and savings. these activities will provide risk to BPR in managing the capital from its assets. The calculation for the capital component will be related to capital and risk activa. According to the researched (Junus & Lagata, 2017), the healthy CAR ratio category occured because risk of its capital and assets are able to sufficient capital adequacy levels that related to rural bank when the credit risk problems occurs. So that BPR needs to increase capital assets and decrease the risk to the capital. The CAR ratio will measure the ability of banks to full the long-term activities in credit activities.

(Syaifullah, 2015) so, it has to create a healthy capital and asset performance, so not to give losses and take effect the bank's capital. (Rama Nopiana & Chasanah, 2018)

b. Assets

The asset category measures the level of return of funds has been distributed in productive assets. If capital is used for distribute credit activities, then the assets will indicate ability to return the loan funds. If the level of collectibility of debt repayment is not managed properly, it will affect to the level of bank financial health. (Rama Nopiana & Chasanah, 2018). This can be known from the amount of bad loans that occur in rural banks. the result research from (Junus & Lagata, 2017) explained that rural banks need to anticipating the bad loans number and pressing the doubtful loans number by observation and selection strict before give a credit to the applicant. The selection process is important to be analyze and specify the debtor ability to pay the loan and can be determine the eligibility for prospective debtors.

c. Management

The management category is measured based on 10 general management questions and 15 risk management questions. Based on SK DIR BI No. 30/12/KEP / DIR and SE BI No. 30/3 / UPPB dated April 30, 1997 on how to assess the level of productive, general management, profitability management and liquidity management, management factor assessment is based on 25 aspects that give emphasis to general management (10 indicators consisting of Strategy/goal assessment, structure, system, and leadership) with a 10% assessment weight and risk management (25 indicators consisting of liquidity risk assessment, credit risk, operational risk, legal risk and owner and management risk) with a 10% assessment weight . Management category determines how much the ratio of the bank's ability to cope with credit risk. According to the results of the study (Junus & Lagata, 2017) customers who delay credit payments, will increase the value of problem loans. In this regard, the BPR needs to pay attention to the feasibility of prospective customers in order to anticipating the increase of bad loans number. This is explained in the study (Syaifullah, 2015) according the NPL ratio with the standard calculation of the health of banking management ratio by Bank Indonesia.

d. Earning

This criteria determines how many activities that provide financial stability for the bank. According to the research (Rama Nopiana & Chasanah, 2018) to determining income, there is no separation between funds used for operational bank activities and for bank productivity. The research explained that the health level of ROA is > 2%, so that its predicate indicates that profit as income and can be maximized. The business efficiency level and profitability that achieved need to pay attention in the value of health ratio. (Akramunnas & Kara, 2019) The profitability ability to generate profits from its total assets is also a requirement for calculating to determining the level of Health. As for the BoPo ratio, according to the research from (Andriasari & Munawaroh, 2020), BOPO determines the suitability of operational expenses with its income.

e. Liquidity

In this criteria, using LDR which is the ratio between the amount of the entire volume of credit or financing disbursed by the bank and the amount of funds received from various sources. The research from (Akramunnas & Kara, 2019) explained that one of the factors are often faced by every bank in Indonesia is the financial risk. Financial risk in the bank system can be defined as delayed installments payment or not paid at all. It is certainly affects to liquidity to trigger bank cash problems, therefore, financial risk to be the main causes of bank failure.

5. CONCLUSION

All that is included in CAMEL with its values has each war is very important in determining whether or not a bank operates. BPR ADY uses CAMEL with the existing calculation level, will determine the health level of the bank. This is because the five CAMEL factors are the basic factors for measuring the performance of a bank from 5 aspects that assess company performance. In order to improve its health level, it is recommended that BPR ADY Jember terns improve credit activities with limits that are in accordance with the health level of the bank, so as to maintain its health level. The results of the CAMEL method can also be used as a reference for *rating the* company.

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