CAMEL Ratio: An Approach To Measuring The Health Of Financial Institutions

Dina Amaluis[1*], Hayu Yolanda Utami[2]

[12]STKIP PGRI Sumatera Barat

[*]Corresponding Author Email: dina.amaluis@gmail.com

A B S T R A C T

This research aims at finding out the differences of health level of Financial Institution by using CAMEL. The magnitude of the potential financial institutions make profits in the segment of small and micro finance as a market for rural banks (BPR), especially Islamic rural banks (BPRS). The level of Bank efficiency could be integrated with the performance of banks which was adopted from Central Bank (BI) criterias, namely CAMEL (Capital, Asset Quality, Management, Earnings and liquidity). This study uses quantitative Descriptive methods. Quantitative methods used to calculate health levels Financial institutions based on five aspects of valuation, namely capital aspects, quality Productive assets, aspects of management, aspects of efficiency, and aspects of liquidity.. As for the Analyze data that is still in number form using descriptive analysis, Conclusion to the health assessment of financial institutions.

INTRODUCTION

Financial institutions play a crucial role in international trade and national development activities. It can be seen from the greater interest in people to store, borrow and invest by utilizing banking services. This leads to the growing banking world that can be seen from the growth of new private banks or the government bank is increasingly tightening the regulation on the banking world. This is in accordance with the understanding stated in the Law No. 10 of year 1998 of 10 November 1998 about banking that the bank is a business entity that raise funds from the community in the form of deposits and channel it to the community In the form of credits and or other forms in order to improve the lives of many people.

The CAMEL analysis is certified as a valuation aspect of the financial ratios. The financial ratios therefore are beneficial in assessing the condition of a bank. The greater the scale of the bank's operations measured by the total assets and the higher the amount of capital from the bank is expected the performance of its operations the better (Murti, 2009:3). CAMEL is the most influential aspect of the bank's financial condition which will affect the bank's health level, CAMEL is also the benchmark of bank inspection objects conducted by Bank Indonesia as a supervisory Autotritas Bank and can provide a good picture of the state or financial condition of a bank (Suoth, 2010:12-13).

Understanding of the bank's health level in bank Indonesia regulation No. 13/1/PBI/2011 On the general bank's health level assessment is the result of assessment of bank conditions conducted against the risk and performance of banks.

It is simple to say that a healthy bank is a bank that can run functions well. A healthy bank is a bank that can maintain and maintain the trust of the community, can perform intermediation function, can help the smoothness of payment traffic and can be used by the Government in carrying out its policies , especially monetary policy.

METHOD

Score from each ratio that has been Calculated based on data obtained from the field, further researchers Using a descriptive approach to analyzing data still in the Figure, so that it can be drawn to the health assessment Financial institutions. A descriptive approach is to make Systematic, factual and accurate regarding the facts already acquired. This study uses quantitative Descriptive methods. Quantitative methods used to calculate health levels Financial institutions based on five aspects of valuation, namely capital aspects, quality Productive assets, aspects of management, aspects of efficiency, and aspects of liquidity.. As for the Analyze data that is still in number form using descriptive analysis,Conclusion to the health assessment of financial institutions.

RESULT AND DISCUSSION

The analysis was done based on seven aspects of assessment, namely:

1. Capital

a. Own Capital Ratio Against Total assets

To obtain the ratio between its own capital against total assets set as follows:

1) for the ratio between private equity with total assets less than or same as 0% given the value 0
2) for each increase in the ratio of 4% starting from 0% value added 5 with a maximum value of 100
3) to a larger ratio of 60% to 100% ratio of any increase in the ratio of 4% minus 5
4) value multiplied by weight 6% obtained a score of capital

Table 1. Standard capital ratio calculation of Total assets

Capital Ratio (%)	Value	Percentage (%)	Score
0	0	0	
1- 20	25	6	1.50
21 - 40	50	6	3.00
41 - 60	100	6	6,00
61 - 80	50	6	3.00
81 - 100	25	6	1,50

Source : Secondary Data

b. Ratio of Own Capital Against Loans Given the Risky

To obtain the ratio of capital against loans given who is at risk, defined as follows:

1)   For own capital ratio) for against the risky loans given less than or equal to the value 0% is valued 0
2)   For each increase in the ratio of 1% starting from 0% value plus 1 with a maximum value of 100
3)   Value multiplied by weight 6%, then obtained a score of capital.

C. Own Capital Adequacy Ratio.

1) capital adequacy Ratio is the ratio of its own private equity weighted by risk-weighted assets (RWA) multiplied by 100%
2 the weighted Capital) is the sum of the product of each component KSP capital/USP cooperatives contained on the balance sheet with weights acknowledgement of risk
3) RWA is the number of times the results of each component assets KSP and USP Cooperatives present on balance sheet risk recognition with weights
4) calculating the RWA done by summing the results multiplication par value of assets that are in balance with weights the risk of each of the component assets
5 own capital adequacy Ratio) can be calculated/derived by way of compared the value of the weighted value of RWA multiplied by 100%.

Table 2. Standard capital Adequacy ratio calculation

Capital Ratio (%)	Value	Persentage (%)	Score
< 4	0	3	0,00
4 ≤ x < 6	50	3	1.50
6 ≤ x ≤ 8	75	3	2.25
> 8	100	3	3.00

Source : Secondary Data

2. Productive asset Quality

Before calculating the quality ratio of the productive assets, first Following loan related provisions:

A. Less current loan

Loans are classified less smoothly when meeting the criteria Below:

1) Repayment is done in installments, namely:

A) There are arrears of principal instalments as follows:

(1) Arrears exceed 1 (one) month and have not exceeded 2 (two) months for loans with daily installments and OR Weekly Or

(2) The arrears exceed 3 (three) months and have not exceeded 6 (six) months for a loan whose tenure is set Monthly, 2 (two) months or 3 (three) months; Or

(3) Arrears exceed 6 (six) months, but have not yet exceeded the 12 (Twelve) months for loan loans Set 6 (six) month or more; Or

B) There is a arrears as follows:

(1) Arrears exceed 1 (one) month, but have not exceeded the 3 (three) months for loans with less instalment period From 1 (one) month; Or

(2) 3 (three) months, but not exceeding 6 (six) months for a loan whose tenure is more than 1 (one) month.

2) Repayment of loans without installments, namely:

A) loans are not yet due

There are arrears that exceed 3 (three) months, but Month exceeds 6 (six) months.

b) loans have fallen maturity date 21 Loans have been due and unpaid, but not yet Exceed 3 (three) months.

B. Questionable loan

Loans are classified as doubtful when the loan Not meet the criteria of less smoothly, but based on assessments can concluded that:

1) The loan can still be saved and the diagram is worth 75% of the borrower's debts including the interest; Or

2) The loan cannot be saved, but the agenda is still worthAt least 100% of borrower's debts include their interest.

C. Loans are stuck

Loans are classified as stuck if:

1) do not meet the criteria of less fluid and doubt; Or

2) meet doubtful criteria but within 12 (twelve) Months since it was classed as doubtful there was no settlement; Or

3) The settlement of the loan has been submitted to the court Government or has been proposed to the insurance company Loan.

To calculate the Kuaitas of Produkrif based on 4 (four) Aspects of the assessment, namely:

A. Loan Volume ratio of members to Total loan Volume Given To measure the ratio between loan volumes to members To the total loan volume set forth below:

Table 3. Standard loan Volume ratio calculation in members to Total loans awarded

Capital Ratio (%)	Value	Persentage (%)	Score
≤ 25	0	10	0,00
26 - 50	50	10	5,00
51 - 75	75	10	7,50
> 75	100	10	10,00

Source : Secondary Data

B. Risk ratio of problematic loan to loans awarded to obtain a problematic loan ratio against a loanGiven, are defined as follows:
1) Calculating the approximate risk of problematic loan (RPM)
as follows;
A) 50% of loans awarded by the less (PKL)
b) 75% of loans awarded a doubtful (PDR)
c) 100% of loans awarded are jammed (PM)

2) The summation result is divided by the disbursed loan.

$$\frac{(50\% \times PKL) + (75\% \times PDR) + (100) \times}{\text{Loans provided}}$$

Assessment calculation:
A) for a ratio of 45% or more rated 0
b) For each decrease in 1% of 45% of the added value of 2, With a maximum value of 100.
c) value multiplied by 5% weight received scoring score.

3. Management Assessment

Management aspect assessment includes five components namely, management,Institutional, equity, assets and liquidity. Calculation of values Based on the assessment results of the answers to the questions Management of all components with a question composition as Following (questions attached):
A. General Management 12 questions (weights 3 or 0.25 values for each Answer the question "yes")
B. Institutional 6 questions (weights 3 or 0.5 values for each answer "Yes" question);
C. Capital Management 5 Questions (weights 3 or 0.6 values for loyalty Answer the question "yes")
D. Asset Management 10 Questions (weights 3 or 0.3 values for each Answer "yes" 0; Dan
E. Liquidity Management 5 Questions (weights 3 or 0.6 values for each Answer the question "yes" 0.

4. Efficiency assessment
A. member operating load ratio to gross participation
How to calculate operasiona load ratio; Members of the participation Gross specified as follows:
1) for the ratio equal to or greater than 100% rated 0 and For a ratio between 95% to smaller than 100% rated 50,
Then each decrease ratio by 5% value is added With 25 to a maximum value of 100; and
2) value multiplied by a weight of 4% obtained scoring score.

Table 4. Standard operating expense ratio calculation member against Gross participation

Operating load ratio Members of the Gross participation (%)	Value	Persentage (%)	Score
Value	Persentage (%)	Score	1
95 ≤ x < 100	50	4	2
90 ≤ x < 95	75	4	3
< 90	100	4	4

Source : Secondary Data

B. Operating expense ratio against gross SHU

The ratio of operating expenses to gross SHU is determined as follows:

1) for a ratio of more than 80% rated 2 and for each decrease 20% ratio added to the value of 25 to a maximum of 100;

2) value multiplied by a weight of 4% obtained scoring score.

C. Service efficiency ratio

Service efficiency ratio calculations are calculated by Compare employee costs with loan volumes, which are Specified as follows:

1) for a ratio of more than 15% rated 0 and for a ratio between 10% Up to 15% rated 50, next each decrease of 1% ratio Value plus 5 to a maximum of 100; Dan

2) value multiplied by a weight of 2% earned scoring score.

Table 4. Standard service efficiency ratio calculation

Rasio Efisiensi Staf (Persen)	Value	Persentage (%)	Score
< 5	100	2	2,0
5 < x <10	75	2	1,5
10 < x < 15	50	2	1,0
> 15	0	2	0,0

Source : Secondary Data

5. Liquidity Assessment

A. Bank cash ratios on current liabilities Bank cash ratio measurements against current liabilities are defined as follows;

1) for cash ratio greater than 10% to 15% rated 100, For a ratio greater than 15% to 20% rated 50, For a smaller or SMA ratio with 10% rated 25 while For a ratio of more than 20% rated 25; and

2) value multiplied by 10% weight obtained assessment Corps

Table 5. Standard cash ratio calculation against current liabilities

Rasio Kas (%)	Value	Persentage (%)	Score
≤ 10	25	10	2,5
10 < x ≤ 15	100	10	10
15 < x ≤ 20	50	10	5
> 20	25	10	2,5

Source : Secondary Data

B. Loan ratio measurement given to funds Accepted

1) for smaller loan ratios 60% rated 25, for each 10% increase in ratio value plus 25 to Maximum n

2) value multiplied by 5% weight received scoring score

Based on the analysis of the BPR health level in Bontang City with CAMEL method and PEARLS above there is a difference analysis in the calculation of health assessment. These differences The CAMEL method has given a description of the bank's health Effective but the CAMEL method does not provide a conclusion that leads to a Assessment of growth. While in the calculation of BPR Health with PEARLS method There is a growth ratio indicator that assesses whether the BPR in one period to the next Experiencing growth. PEARLS method not only assess whether a BPR is healthy but Also assess whether the BPR is healthy and growing. (Prakoso and Defung, 2017)

CONCLUSION

Based on Five aspects assessed in the health assessment Financial institutions, i.e. capital aspects, productive asset quality, Management, efficiency, liquidity, independence and growth, and The financial institution, hereinafter the score of each aspect then Be accumulated to determine the health criteria of financial institutions.

The current BPR Health assessment methodology refers to the Bank's Decree of Directors Indonesia Number 30/12/KEP/DIR dated 30 April 1997 concerning procedures for health level assessment Bpr. BPR's health level is assessed on various aspects that affect the condition and The development of a BPR, which includes aspects of capital, productive asset quality, management, And liquidity (CAMEL) and consider other factors that can be Lowering and or abort the bank's health level. (Prakoso and Defung, 2017).

REFERENCES

Brigham, Eugene F.dan Joul F Houston. 2014. Dasar-dasar Manajemen Keuangan. Jakarta: Salemba Empat.

Hery. 2012. *Analisis Laporan Keuangan.* Jakarta: Bumi Aksara.

Kasmir. 2005. *Bank & Lembaga Keuangan Lainya.* Jakarta: PT Raja Grafindo.

Murti, Widyasanti C., 2009. Analisis Penilaian Tingkat Kesehatan Bank Dengan Metode CAMEL (Studi Kasus pada PD BPR BKK Tasikmadu Cabang Jatiyoso), Skripsi, Universitas Muhammadiyah Surakarta, Surakarta.

Purhatara, Wahyu. 2010. *Metode Penelitian Kualitatif Untuk Bisnis.* Yogyakarta Graha Ilmu.

Sekaran, Uma. 2006. Research Methods for Business. Jakarta : Salemba Empat.

South, Gladies, 2010. Penilaian Tingkat kesehatan Bank Dengan Mengunakan Metode CAMEL Pada Bank Sulut Manado., Universitas Sam Ratulangi, Manado.

Husnan, Suad dan Pudjiastuti, Enny. 2015. Dasar-dasar Manajemen Keuangan. Yogyakarta: UPP STIM YPKN.

Prakoso, defung. 2017. Analisis Metode Camel dan Pearls untuk Menilai Tingkat Kesehatan BPR di Kota Bontang.Akuntabel**.** Volume 14, No. 2 2017.