

Analysis of Bank Soundness Level with CAMEL Method at Bank Syariah Indonesia Tbk in 2021

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ABSTRACT

BSI is the largest Islamic bank in Indonesia as a result of the merger of three Islamic banks from the Association of State-Owned Banks (Himbara), namely: PT Bank BRI Syariah (BRIS), PT Bank Syariah Mandiri (BSM), and PT Bank BNI Syariah (BNIS). The purpose of the merger of Islamic banks is to encourage larger Islamic banks so that they can enter the global market and become a catalyst for Islamic economic growth in Indonesia. Bank Indonesia as the authority has issued a regulation regarding the assessment of the soundness of banks through a circular letter of Bank Indonesia April 30, 2004 using the CAMEL method, using financial ratios. The object of this research is the Indonesian Islamic Bank for the 2021 period. The purpose of this study is to assess the soundness of the Indonesian Islamic Bank for the 2021 period using the CAMEL method. Bank Syariah Indonesia is expected to become an accelerator for the development of the Islamic economy in Indonesia. The results of the study show that Bank Syariah Indonesia in 2021 will get a healthy predicate.

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INTRODUCTION

The economic growth of a nation requires a pattern of regulation of the processing of available economic resources in a directed, integrated manner and utilized for improving the welfare of the community. In the processing of economic resources, economic institutions work hand in hand to manage and mobilize all economic potentials to be empowered and optimally effective, including financial institutions. Financial institutions are believed to have a very important role in driving the wheels of a country's economy, especially banking. (Sinungan, 1993:1)

Special supervision and regulation are required for banking institutions to maintain the stability of the country's economy. In order to maintain the trust of depositors and the stability of the payment system, operating banks need to be assessed for their soundness. The procedure for assessing bank health is regulated in the Decree of the Board of Directors of BI No.31/11/KEP/DIR dated April 30, 1997 and has been amended by Decree of the Board of Directors of BI dated May 30, 2004.

According to the Circular Letter of Bank Indonesia Number: 6/23/DPNP dated May 31, 2004 (2004) concerning the method of assessing the soundness of commercial banks, it is stated that the soundness of banks is assessed by using a qualitative approach to various factors that influence the condition and development of

banks, in this case are factors Capital (Capital), Earning Assets (Assets), Management Factors (Management), Profitability Factors (Earnings), and Liquidity Factors (Liquidity).

LITERATURE REVIEW

Analysis of financial statements

According to Munawir (1998) in Riswan and Kesuma (2014) Financial Statement Analysis is a financial analysis which consists of reviewing or studying the relationships and tendencies or trends to determine the financial position and results of operations as well as the development of the company concerned. (Cookson & Stirk, 2019)

According to Maith (2013) financial statement analysis consists of two parts, namely "analysis" and "financial statements". Analysis is the decomposition of a problem or problem and explains the relationship between the parts in it to further obtain an overall understanding. Meanwhile, the financial report is a structured presentation of the financial statement position and financial performance of an entity.

Meanwhile, according to Kasmir (2014) financial statements are reports that reveal the current financial condition of a company or within a certain period. The point is the company's financial status on a certain date (for the balance sheet) and a certain period (for the income statement). (H Kara, 2014)

Based on the results of the description above, it can be concluded that the analysis of financial statements of financial statements that describe financial statement items into smaller units of information and see a significant relationship or have meaning between one another between quantitative data and non-qualitative data with the aim of Knowing the financial condition is very important in the process of making the right decision.

Bank

According to the Law of the Republic of Indonesia Number 10 of 1998 concerning banking, a bank is a business entity that collects funds from the public in the form of savings and distributes them back to the public in the form of credit and or in other forms in order to increase the standard of living of the people at large.

Kasmir (2014) bank is a financial institution whose business activity is to collect funds from the public and channel these funds back to the community and provide other bank services. While the definition of a financial institution is any company engaged in finance where its activities are only to collect funds or only to distribute funds or both.

Based on the description above, it can be concluded that a bank is a legal entity whose activities are to collect funds from the public and distribute them to people who need funds.

Bank Health

Understanding Bank Health According to Kasmir (2014) "The soundness of a bank can be interpreted as the ability of a bank to be interpreted as the ability of a bank to carry out normal banking operations and be able to fulfill all its obligations properly in ways that are in accordance with applicable banking regulations."

Definition of Bank Health According to Veithzal Rivai (2013) "Tingkat kesehatan bank adalah bank yang dapat menjalankan fungsi-fungsinya dengan baik, yang dapat menjaga dan memelihara kepercayaan masyarakat, dapat menjalankan fungsi intermediasi, pemerintah dalam melaksanakan berbagai kebijakan, terutama kebijakan moneter".

Understanding Bank Health According to Budisantoso and Triandaru (2006) defines bank soundness as "the ability of a bank to carry out normal banking operations and be able to fulfill all its obligations properly in ways that are in accordance with applicable regulations". The definition of bank health is a very broad limitation, because bank health includes the health of a bank to carry out all its banking business activities.

Based on Article 29 of Law no. 7 of 1992 as amended by Law no. 10 of 1998 concerning Banking, banks are required to maintain a sound level in accordance with the provisions on capital adequacy, asset quality, management quality, liquidity, profitability and solvency, as well as other aspects related to the bank's business and are required to conduct business activities in accordance with prudential principles.

The law stipulates that among others:

1. Banks are required to submit to Bank Indonesia all information and explanations regarding their business according to the procedures stipulated by Bank Indonesia.

2. Banks at the request of Bank Indonesia are obligated to provide an opportunity for examination of the books and files in their possession, and are obligated to provide the necessary assistance in order to obtain the truth of all information, documents and explanations reported by the bank concerned.
3. Bank Indonesia conducts inspections of banks, either periodically or at any time if necessary. Bank Indonesia may assign a public accountant for and on behalf of Bank Indonesia to carry out audits of banks.
4. Banks are required to submit to Bank Indonesia the balance sheet, calculation of annual profit and loss and its explanation, as well as other periodic reports in the time and form determined by Bank Indonesia. The balance sheet and annual income statement must first be audited by a public accountant.
5. Banks are required to announce the balance sheet and profit and loss account in the time and form determined by Bank Indonesia.

The more integrated the financial system, the impact not only on the number of transactions, but also the types. The types of financial activities will ultimately lead to a financial transaction that is executed through banks. Therefore, if the banking sector is not managed properly, it will destroy its credibility as an institution of trust. (Oktavia, 2007)

Riyadi (2006) states "The soundness of a bank is one of the most important benchmarks for a bank's financial performance today, because from the results of the assessment it will be possible to know the performance of the owner and the professionalism of the bank's management. There are several parties that really need the results of the assessment of the bank's soundness level, namely: bank management (Board of Commissioners, Board of Directors, Owners), community users of bank services, Bank Indonesia (as the Bank's supervisor and supervisor), Bank counterparties (there is a correspondence relationship). Bank health assessment by the central bank by conducting an assessment of the aspects that have been determined. The aspects that must be met include capital (capital), assets (assets), management (management), Earning (profitability), liquidity (liquidity) and sensitivity to market risk (sensitivity to market risk). For this reason, the health of the bank can be seen from the financial statements that cover these aspects.

CAMEL analysis

1. Capital

It is an assessment ratio based on the capital owned by the capital owned by a bank, namely by using the CAR (Capital Adequacy Ratio) by comparing capital to weighted assets (RWA). Every bank operating in Indonesia, both conventional and sharia system, is required to maintain a minimum capital adequacy requirement (KPM) of at least 8% (Riyadi S, 2006:171). the minimum CAR determination of 8% aims to: (Hasibuan, 2005:88-89)

- Maintaining customer trust in the bank
- Safeguard or protect third party funds at the bank
- To comply with international banking standards with a formula of 4% for core capital and 4% for secondary capital.

Banks that have a CAR below 8% must immediately receive serious treatment for repair. The increase in the amount of CAR to conform to what has been determined takes time and will allow time in accordance with the provisions of the government.

2. Asset

Is an assessment ratio based on the quality of assets owned by a bank. The ratio measured in this assessment is the ratio of earning assets classified to productive assets (Prasetyoningrum AK, 2016:61). The quality of productive assets reflects the financial performance of banking companies. Asset quality assessment is carried out by comparing earning assets classified with total earning assets in accordance with Bank Indonesia regulations. Measurement of bank soundness level based on asset quality aspect, one of which can be seen from earning asset quality ratio (KAP).

3. Management

It is a valuation ratio of a bank based on capital management, asset management, capital management, profitability management, liquidity management and general management. As for seeing the quality of management, it can be seen from the quality of humans in running the bank.

Human abilities can also be seen from the education and experience of employees in overcoming problems that occur. Assessing bank performance in management factors is done by conducting a questionnaire given to the employee. This means that it is possible that the bank's soundness level from the management aspect can also be measured quantitatively through the calculation of Net Profit Margin (NPM).

This financial ratio measures the level of the bank's ability to generate net profit from its main operational activities.

4. Earning

Is an assessment ratio based on the profitability of a bank or good ability to generate profits. A healthy bank and its good performance will certainly be seen from its ability to earn income in the form of profit.

The greater the profit obtained indicates that the bank's performance is getting better and its financial condition is getting healthier. To measure a bank's ability to generate profit, it is measured by Return on Assets (ROA) and Return on Equity (ROE). The benefits of this factor are also to assess the level of efficiency of business activities and the ability to earn profits achieved by the bank.

5. Liquidity (likuiditas)

Is the ratio used to assess the liquidity of a bank by looking at the public financing of funds received by the bank (Financing to Deposit Ratio).

Banks can be said to be liquid if the bank is able to pay all its debts, especially short-term debt. Short-term debt in question is savings deposits, current accounts, and time deposits. It is said to be liquid if at the time of billing the bank is able to pay. Then the bank must also fulfill every loan application that is eligible to be financed.

According to (Hasibuan, 2005: 95) a bank is said to be liquid if:

- Cash set in the amount of need that will be used to meet liquidity.
- Cash assets are smaller than the first one above, but the bank also has other assets (especially securities) which can be withdrawn at any time without a decrease in market value.
- The ability to create new cash assets through various forms of money.

In this regard, the Financing to Deposit Ratio (FDR) is one of the financial ratios that can represent an assessment of the soundness of a bank in terms of liquidity.

IMPLEMENTATION METHOD

Types of research

This type of research is descriptive quantitative research, which is a data analysis method in which the data is collected, compiled, interpreted, and analyzed so as to provide complete information for solving the problems encountered.

Research Place and Time

The place of research was conducted at Bank Syariah Indonesia through the Annual Financial Report (Annual Report) which was obtained through the banking website itself. This research starts in early January until the closing period in December 2021.

Population and Sample

The population of this study is the Indonesian Islamic Bank (BSI) in 2021 using a non-probability sample with convenience sampling, namely considering the ease of obtaining data.

Method of collecting data

The data collection method used in this research is library data collection techniques or Library Research, where theoretical data collection is carried out by examining various reports, literature books, libraries or others related to the issues discussed.

Analysis Method

The data analysis method used is the CAMEL method.

1. Capital

The assessment is based on the capital owned by one of the banks. One of the assessments is the CAR (Capital Adequacy Ratio) method, namely by comparing capital to risk-weighted assets (RWA).

$$CAR = \frac{\text{Modal}}{\text{Aktiva Tertimbang Menurut Resiko}} \times 100\%$$

2. Asset

Namely to measure the quality of bank assets. In this case, the effort made is to assess the types of assets owned by the bank.

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

3. Management

This ratio shows how management manages resources and uses or allocates funds efficiently.

$$NPM = \frac{\text{Nett Income}}{\text{Operating Income}} \times 100\%$$

4. Earnings

The ability of banks to generate profits. Return on Assets (ROA).

$$ROA = \frac{\text{Laba Sebelum Pajak}}{\text{Total Asset}} \times 100\%$$

5. Likuiditas

What is assessed is the bank's ability to maintain/maintain liquidity.

Loan to Deposit Ratio (LDR)

$$LDR = \frac{\text{Kredit yang diberikan}}{\text{Total Dana Pihak ke - 3}} \times 100\%$$

Operational definition

The CAMEL analysis method is the method used in assessing the soundness of banks in accordance with regulation No.6/10/PBI/2004. The related aspects are:

- 1) Capital,
- 2) Asset,
- 3) Management,
- 4) Earnings,
- 5) Liquidity.

In connection with the Bank Indonesia regulations above, the authors use the CAMEL method in assessing the soundness of banks. The assessment is carried out quantitatively by using financial ratios in determining CAR, KAP, NIM, ROA, ROE, and FDR.

RESULTS AND DISCUSSION

The following are the results of the research on the soundness of Bank Syariah Indonesia (BSI) in 2021:

Table 1 BSI Health Level in 2021

	2021
Capital Adequacy Ratio (CAR)	22,09 %
Classified Earning Asset Quality	11,80 %
Nett Interest Margin	6,04 %
Return On Asset	1,61 %
Return On Equity	13,71 %
Financing Deposit Ratio (FDR)	73,39 %
RANK	HEALTHY

Using financial ratios in the form of CAR, KAP, NIM, ROA, ROE, and FDR, it states that Bank Syariah Indonesia has received the predicate, namely where the CAR (Capital Adequacy Ratio) is significantly above 8%. CAR is considered good if it is >8%. In terms of asset quality in 2021 it will be 11.80%. In the management aspect, Bank Mandiri uses the NPM (Net Profit Margin) proxy in assessing the overall management performance related to the effective and efficient use of bank resources. efficient. In the Earnings aspect, the ROA (Return on Asset) indicator for 2021 is 1.61% while the ROE (Return On Equity) for 2021 is 13.71%. In the aspect of Liquidity, Bank Syariah Indonesia is classified as liquid, judged by the level of loans provided compared to the level of deposits from third parties or depositors. The FDR (Financing Deposit Ratio) value for 2021 is 73.39%. Overall, the Performance of Bank Syariah Indonesia in 2021 received a HEALTHY

predicate, where the bank is considered very healthy so that it is able to deal with negative business influences in its external environment.

CONCLUSION

Analysis using the Capital, Asset, Management, Earnings and Liquidity methods at Bank Syariah Indonesia, is considered healthy, where the Bank is able and has resilience in the face of economic turmoil and negative influences originating from the bank's external environment. Bank Syariah Indonesia received the title of Healthy, where even though the bank has operated well and is able to face economic turmoil, there are weaknesses that must be the focal point of management in improving the soundness of Bank Syariah Indonesia.

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