El-Mãl | Jurnal Kajian Ekonomi & Bisnis Islam

Vol 5 No 12 (2024) 4901 – 4918 P-ISSN 2620-295 E-ISSN 2747-0490
DOI: 1047467/elmal.v5i12.4788

CAMEL's Analysis of Banking Financial Performance Listed on The IDX

Sinta Nur Aini[1], Nurjanti Takarini[2]

Management Study Program, Faculty of Economics and Business
Universitas Pembangunan Nasional "Veteran" Jawa Timur.
20012010114@student.upnjatim.ac.id, yayannurjanti.em@upnjatim.ac.id*

ABSTRACT

Financial performance analysis aims to assess the effectiveness and efficiency of a company's financial management. This study aims to measure the influence of the CAMEL (Capital, Asset Quality, Management, Earning, and Liquidity) variables on the bank's financial performance, which is measured using return on assets (ROA). The method applied in this study is a quantitative approach with multiple linear regression. This study examines the relationship between the independent variable of CAMEL and the dependent variable of financial performance (ROA). The data used is secondary data in the form of annual financial statements from banks listed on the Indonesia Stock Exchange (IDX) for the period 2020 to 2023. The results of the study show that asset quality, liquidity, and capital have no effect on the financial performance of banks, while management and income have a significant influence.

Keywords: *Capital, Asset Quality, Management, Earning, Liquidity, Financial Performance*

ABSTRAK

Analisis kinerja keuangan bertujuan untuk menilai efektivitas dan efisiensi pengelolaan keuangan perusahaan. Penelitian ini bertujuan untuk mengukur pengaruh variabel CAMEL (*Capital, Asset Quality, Management, Earning, and Liquidity*) terhadap kinerja keuangan bank, yang diukur menggunakan *Return On Assets* (ROA). Metode yang diterapkan dalam penelitian ini adalah pendekatan kuantitatif dengan regresi linier berganda. Penelitian ini mengkaji hubungan antara variabel independen CAMEL dan variabel dependen Kinerja Keuangan (ROA). Data yang digunakan adalah data sekunder berupa laporan keuangan tahunan dari bank yang tercatat di Bursa Efek Indonesia (BEI) periode 2020 hingga 2023. Hasil penelitian menunjukkan bahwa kualitas aset, likuiditas, dan permodalan tidak berpengaruh terhadap kinerja keuangan bank, sedangkan manajemen dan pendapatan memiliki pengaruh yang signifikan.

Kata Kunci: Modal, Kualitas Aset, Manajemen, Penghasilan, Likuiditas, Kinerja Keuangan

INTRODUCTION

Financial performance is a step to evaluate how effective a bank is in generating profits and managing its cash position. The analysis of a bank's financial performance is used to assess the health level of the bank and improve its business activities in order to compete with other banks. One of the main indicators that can be used to assess the health of a bank is the components contained in the bank's

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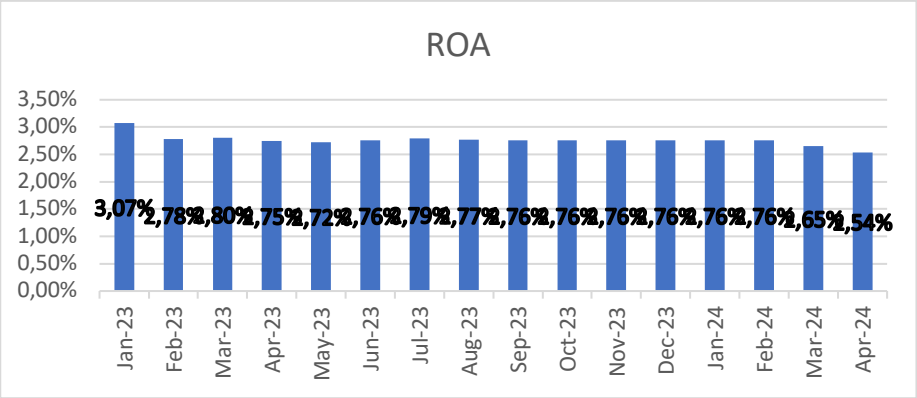
financial statements. (Yanto and Sunardi 2023). Therefore, the level of bank health can be calculated by analyzing and taking into account the ratios on the bank's financial performance. To calculate the level of bank capability, the Profitability ratio with the CAMEL ratio method is used.

According to cnbcindonesia.com, "Indonesia banking is still facing difficult times." At the end of 2022, there was a sharp decline in the growth of banking loans and third-party funds (DPK). Factors such as rising interest rates, a slowdown in the global economy, and a decline in commodity prices have caused banking performance to decline. They also reported that "The Financial Services Authority (OJK) provided a statement regarding the decline in the profit performance of commercial banks (BU) throughout the first quarter of 2024." Data shows that the return on assets (ROA) of banks decreased to 2.62% in March 2024, compared to 2.77% in the previous year.

Figure 1. Banking Profitability Data (ROA) Chart for January 2023 – April 2024



Source: https://ojk.go.id/id

The bank's financial performance will experience an increase in profitability in 2023 when viewed from the annual average. However, if viewed from the monthly average, there will be a decrease in profitability. The decline in asset value (ROA) that occurred from January 2023 to April 2024 shows that the bank's financial performance has not been ideal. Several factors that occurred during the period affected the increase in Return on Assets (ROA) month on month. Like banks experience fluctuations in income from month to month due to factors. The rise or fall of revenue will affect the net profit that a company can generate from its assets. Or there is a special event in the bank, such as restructuring or selling assets that affect the net profit in the short term. The effects of events like this can be reflected in the change in ROA from month to month.

The health of banks is very influential in the Indonesia economy, so it is very important to maintain the health of banks so that they do not experience failures or losses that will result in Indonesia's economic sector. In the banking sector, good financial performance can be measured by the level of profitability, the higher the profitability of a bank, the better its financial performance condition. On the other

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hand, if profitability decreases, this indicates that the bank's financial performance is not good. To assess banking performance, we can look at the level of profitability through the Return on Assets (ROA) of banks listed on the Indonesia Stock Exchange during the period 2020 to 2023.

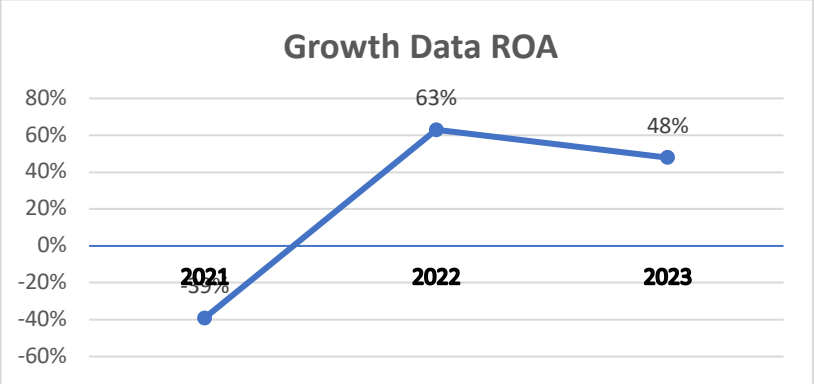
Table 1. Banking Profitability (ROA) on IDX in 2020-2023

ROA (%)				
	2020	2021	2022	2023
Sum	1193	-614	2370	4618
Average	26	-13	50	98
Average Growth	-	-39	63	48

Source: https://www.idx.co.id/id / Data processed

Based on the data of Table 1 which includes 47 banks, the average Return on Assets in 2020 is 26%. This figure decreased by 13% in 2021, but increased to 50% in 2022, and reached 98% in 2023.

Figure 2. Graph of Banking Profitability Growth Data (ROA) on the IDX in 2020-2023



Source: https://www.idx.co.id/id

ROA from 2020 to 2021 experienced an average growth decline of 39%, this was due to the high growth of third-party funds and at the same time low credit growth tended to decrease. This has caused the economy to experience a very drastic decline and caused a decline in banking financial performance. In 2021 to 2022 there was an increase in average growth of 63%, this is because banking loans have increased and resulted in financial performance and the wheels of the economy have begun to reverse, in 2023 to 2024 there is a decrease in average growth of 48%, this is because the company's total assets increase faster than its net profit, ROA can decrease even though net profit remains or increases. This shares that the company's assets are not used efficiently to make a profit.

The decrease and increase in the percentage of ROA growth shows that profitability in the sector is not optimal, and is evident from the decrease in average

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ROA growth in 2021, the increase in ROA growth in 2022, and the decrease in ROA growth percentage in 2023. This indicates that profitability in banking sector companies has not reached an optimal level. Thus, the higher the ROA of a bank, the better the bank's financial performance. Conversely, if a bank's ROA decreases, it indicates that its financial performance is not optimal. So that the profitability or ROA of a bank reflects the condition of the health level of the bank's financial performance (Afifah and Ramdani 2023).

Measuring the health of banks is carried out using the method in BI Regulation No.6/10/PBI/2004, namely the CAMEL analysis. The CAMEL analysis includes several aspects to assess the health of the bank, namely using the analysis *of Capital, Asset Quality, Management, Earning and Liquidity*. This CAMEL method will provide an overview for bank managers to continue to improve the financial performance of banks calculated using profitability, so as not to become a bank with unhealthy financial performance.

Research conducted by Sang Pridya, Takarini, and Wikartika (2021) shows that capital and profitability have a significant influence on profitability, while asset quality and liquidity do not affect profitability. On the other hand, research by Asysidiq and Sudiyatno (2022) shows that *the Capital Adequacy Ratio* has no effect on *Return on Assets. Non-Performing Loans* also do not affect *Return on Assets. The Loan to Deposit Ratio* does not have a significant effect on *Return on Asset. Gross Domestic Product* does not show a significant influence on *Return on Assets.* However, inflation has a significant positive effect on Return on Assets. Seeing the difference in the results of the existing research, the researcher was interested in conducting a study entitled **"CAMEL Analysis of The Financial Performance of Banks Listed on The IDX".**

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Signaling Theory

Signaling theory was introduced by Michael Spence in 1973 in his research entitled "Job Market Signaling". Signaling theory means a theory that explains the signs described in every policy taken by a company. from Fauziah (2017:11) states that signaling theory is a very important theory in corporate financial management. Signaling theory reveals that companies or banks want to convey information to internal and external parties.

Signal theory explains that a bank provides indications to users of financial statements through the information contained in the published reports. This information can serve as a signal regarding the bank's financial condition, so that the bank's internal parties can manage their assets more efficiently. More efficient asset management allows banks to better manage resources and generate greater profits.

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Efficient asset management will reduce banking capital and will increase profits by banks, then banking profitability will also be higher (Pradita and Mubarokah 2024).

Efficiency Theory

Efficiency theory was first invented by Farrell (1957) to measure the efficiency of a company. This concept was later further developed by Charnes, Cooper, and Rhodes (1978), who focused on the development of methods for measuring corporate data, or considered decision-making units. In their research, they shared methods to measure the efficiency of each decision-making unit to improve the performance of the companies measured.

Efficiency theory means a theory that puts forward a concept about the optimal and effective use of a bank's resources. Banking is a financial forum that has a role and is required to have good performance. One of the indicators is efficiency. The level of efficiency achieved reflects the quality of good performance. The ability to produce optimal results by utilizing existing inputs is a sign of effective performance. (Sari et al. 2020).

Risk Management Theory

In 2100 BC, the earliest records of risk management were found in the Hammurabi Charter or the Hammurabi Code. The 1970s and 1980s are known as the second era of risk management, as insurance companies began to encourage business owners to actively manage the products they insure. This era also saw the emergence of the concept of quality assurance, which ensured that all products conformed to standard specifications. This concept was introduced by the British Standards Institute which introduced the BS 5750 quality standard in 1979.

Risk management theory is a theory used to identify, analyze, and manage risks in banking operations to achieve a high level of effectiveness. Risk management is an effort to control risks that arise by applying systematic methods so that losses can be avoided or minimized. This is because minimizing losses will bring high profits for banks. And the smaller the bank's losses, the higher the bank's profitability (Susilo and Victor 2019).

Financial Performance

Financial performance describes the operating results of a company in a given period and reflects the health condition of the company. According to Hutabarat (2020: 2), Financial performance is an analysis carried out to assess how effective and efficient a company is in managing its finances. According to Hutabarat (2020: 20), the financial performance of a company can be assessed through financial ratio analysis. Financial ratio is the use of financial statements to calculate ratios to determine the financial position of a company. Financial performance is often associated with profitability.

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Profitability refers to the bank's ability to generate profits and also serves as a measure of the effectiveness of bank management. The measurement used in measuring profitability in banking is ROA. This is because return on assets allows bank management to measure profits or the ability to generate profits as a whole. According to Dewi (2017: 224), the higher the ROA value, the better the bank's financial performance. This is because bank interest rates are high.

CAMEL Analysis

According to Syahputra (2018: 51), the CAMEL ratio is the factor that most affects the financial position and health of a bank. CAMEL is the main aspect that affects the bank's financial condition and health. CAMEL serves as a benchmark that must be audited by banking regulators. CAMEL includes five criteria: capital, assets, management, income, and liquidity.

Capital

In BI Regulation No. 6/10/PBI/2004 which discusses the health of commercial banks, the analysis of the elements of *capital* includes capital adequacy, capital structure and forecast, as well as evaluation bank assets. the ability of capital to protect limited assets and the ability to meet additional capital needs from bank profits. According to Harahap (2015:307), *the Capital Adequacy ratio* shows the adequacy of capital determined by the banking sector. CAR helps banks maintain their capital levels and reflects their ability to recognize, measure, monitor, and control various risks that can affect a bank's capital factors.

Research conducted by Riskayanti, Widnyana, and Gunadi in 2022 found that the capital adequacy ratio has a positive influence on the profitability or ROA of the banking industry. The capital adequacy ratio affects financial performance as measured by return on assets, as CAR reflects the bank's ability to bear losses and protect depositors from the risk of bankruptcy. In addition, strong capital allows banks to be better able to overcome uncertain economic conditions and maintain profitability.

Thus, banks with high-value CARs tend to show more stable and strong financial performance as reflected in better ROA ratios

H1: *Capital* has a positive effect on Financial Performance.

Asset Quality

Commercial Bank Regulation No. 6/10/PBI/2004 states that asset quality assessment is based on the quality of productive assets, concentration of credit risk, and development of problematic productive assets, and this is considered an evaluation. It not only includes the depreciation of production assets, but also an assessment of the adequacy of internal audit system policies and procedures. Asset Quality can be measured by using Non-Performing Loans. According to Dewi

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(2017:225), Non-Performing Loans are used to measure the extent to which banks are able to manage risks related to the debtor's ability to pay off their debts. NPLs function in measuring the operational risk of a bank and showing the level of non-performing loan risk of a bank (Novitasari and Yuliati, 2022).

Research researched by (Riskayanti, Widnyana and Gunadi 2022) found that the findings of NPLs have a negative impact on the profitability or ROA of the banking industry. Since NPLs reflect the amount of non-performing loans owned by banks, NPLs affect financial performance. The high NPLs indicate that many loans cannot be repaid by borrowers, so banks must set aside more funds to cover potential losses. This loss allowance reduces the bank's net profit because funds that should be used for productive investment or business expansion must be used to cover losses. Therefore, high NPLs tend to indicate poor financial performance, which is reflected in lower ROA ratios.

H2: *Asset Quality* has a negative effect on Financial Performance *Management*

The Management Ratio is a ratio that indicates how much net profit the bank earns. This ratio describes the ability of bank management to identify, measure, monitor, and control risks arising from business policies and strategies to achieve goals. (Eka, Sabri, Asnah 2024). *Management* is projected to use net profit margin or NPM. Net profit margin is an indicator used to assess how much net profit a bank earns by comparing the net profit generated against its revenue. (Sucipto et al. 2023).

Research conducted by Novitasari and Yuliati (2022) found that NPM has a significant positive influence on the profitability or ROA of the banking industry. A high NPM indicates that a bank is able to manage operating costs, interest expenses, credit losses, and optimize revenue from various sources. As net profit increases, the bank has more resources to reinvest in its business, raise capital, and strengthen its financial base. Therefore, a high NPM is an important indicator of a bank's financial health and profitability and indicates good financial performance.

H3: *Management* has a positive effect on Financial Performance *Earning*

Earning is a measure that helps evaluate a company's ability to make a profit. According to Munawir (2014: 33), *Earning* refers to the bank's ability to generate profits within a certain period of time. The ratio used to measure this ratio is BOPO. According to Ismail (2018: 54), the ratio of operating costs and operating profit is used to assess the ability of bank management to control operational costs in relation to operating profit.

Research conducted by Pridya, Takarini, and Wikartika (2021) found that the results of BOPO research have a negative impact on the profitability or ROA of the banking industry. A high BOPO means that the bank spends most of its revenue to cover operational costs such as employee salaries, administrative costs, and marketing costs, thereby reducing the portion of net income along with a decrease in

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the percentage of revenue. This shows that the bank is not able to manage its fees effectively, which has a direct impact on its net profit and profitability. The high BOPO indicates a challenge in maintaining a balance between income and costs, thereby hindering the achievement of optimal and sustainable financial performance.

H4: *Earning* has a negative effect on Financial Performance *Liquidity*

According to Fahmi (2017: 121), the liquidity ratio measures the ability of banks to meet their short-term obligations in a timely manner. This ratio is crucial because the bank's inability to meet its short-term obligations can lower the company's value and reduce investor interest. One of the ratios used to measure liquidity is the loan-to-deposit ratio (LDR). According to Riyadi (2015:199), the Loan to Deposit Ratio is a ratio used to assess the extent to which banks can distribute loans from third-party funds collected by banks.

The research researched by Susilowati and Tiningrum (2019) brought that LDR results have a significant positive influence on profitability or ROA. LDR reflects how effectively banks manage customer funds to provide loans and therefore affects financial performance as measured by return on assets. The optimal ratio indicates that the bank can use the funds received from deposits to provide loans, which will generate interest income. Therefore, a well-managed ratio will increase the efficiency of the bank's asset use and support higher return on capital, while a less optimal ratio can lower the bank's financial performance, leading to a higher return on capital reflected in the decline.

H5 : *Liquidity* has a positive effect on Financial Performance

Conceptual Framework

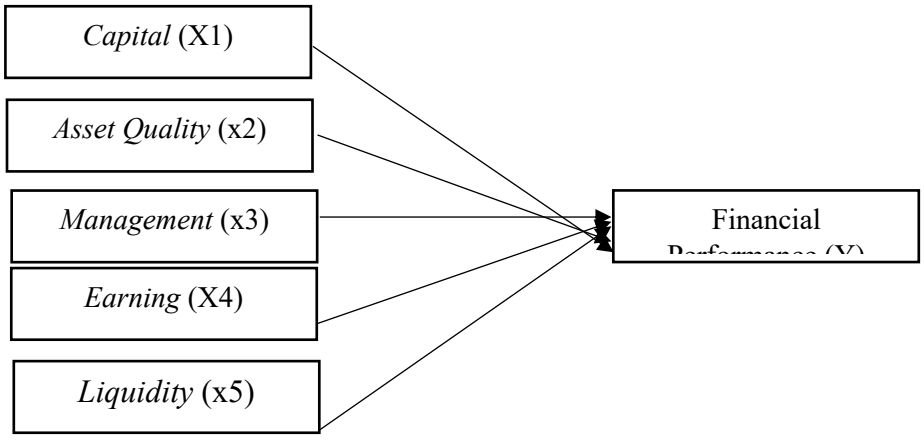

Figure 3. Conceptual Framework

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RESEARCH METHODS

The data in this study is quantitative, in the form of figures contained in the financial statements of banking companies listed on the Indonesia Stock Exchange for the 2020-2023 period. The data source is taken from the financial statements of these banking companies which are published on the official website of the Indonesia Stock Exchange and can be accessed through the https://www.idx.co.id/id.

This study uses the following independent variables: capital (X1), asset quality (X2), management (X3), profit (X4), and liquidity (X5). The bound variable (Y) used is financial performance, which is measured by profitability through return on assets. The study population includes all banking companies listed on the Indonesia Stock Exchange, consisting of 47 banks in 2023. The sampling method used in this study is purposive sampling. According to Sugiyono (2016: 80), purposive sampling is a sampling method designed based on certain criteria. In this study, the criteria used to determine the sample are as follows:

1. Banking company with the most complete financial reporting data for the 2020-2023 period on the Indonesia Stock Exchange.

With these data criteria, there are 45 banking companies listed on the Indonesia Stock Exchange in 2023 and are eligible as research samples. To determine the amount of observation data used in this study, the number of companies (45) multiplied by the four-year time period (2020-2023) yielded a total of 180 observations (45 x 4). The data collected was then processed using SPSS.

RESULTS AND DISCUSSION

Table 2. Results of Outlier Test

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	-4.0106	272.7251	106.2833	57.64823	120
Std. Predicted Value	-1.913	2.887	.000	1.000	120
Standard Error of Predicted Value	8.112	31.773	16.017	5.145	120
Adjusted Predicted Value	-5.0111	254.5564	106.4829	57.78210	120
Residual	-194.60616	282.48001	.00000	73.60875	120
Std. Residual	-2.588	3.756	.000	.979	120
Stud. Residual	-2.659	3.849	-.001	1.004	120
Deleted Residual	-205.54021	296.58270	-.19959	77.41745	120

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Stud. Deleted Residual	-2.734	4.108	.004	1.028	120
Expensive. Distance	.393	20.249	4.958	4.075	120
Cook's Distance	.000	.123	.009	.021	120
Centered Leverage Value	.003	.170	.042	.034	120

a. Dependent Variable: Y = Financial Performance (ROA
b. Expensive. Max Distance = 22,458

Expensive value. Maximum distance 20,249 < 22,458. It means that the data does not contain outliers. Therefore, this data is of high quality and can be continued at the next stage of data processing.

Table 3. Normality Test Results

		X1	X2	X3	X4	X5
N		120	120	120	120	120
Normal Parameters[a,b]	Mean	26.3029	4.2824	95.650	301.428	16863.5870
	Std. Deviation	10.40509	4.82802	79.786 87	184.296 43	33245.27 010
Most Extreme Differences	Absolute	.180	.220	.116	.096	.437
	Positive	.180	.220	.092	.096	.437
	Negative	-.091	-.188	-.116	-.073	-.306
Test Statistic		.180	.220	.116	.096	.437
Asymp. Sig. (2-tailed)		.000c	.000c	.000c	.009c	.000c

Using the test, the results of the analysis are *Capital* (X1) = 0.000, *Asset Quality* (X2) = 0.000, *Management* (X3) = 0.000, *Earning* (X4) = 0.009, and *Liquidity* (X5) = 0.000. Indicates that the results of the normality test show that not all variables are normally distributed because the significance is less than 0.05. However, the Oulier test showed that there was no outlier. Therefore, the data of this study is of high quality and can be further processed.

Table 4. Multicollinearity Test Results

Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	101.027	28.884		3.498	.001		
	X1	-.372	.699	-.041	-.533	.595	.898	1.113
	X2	-1.382	1.473	-.071	-.938	.350	.940	1.064
	X3	.739	.100	.631	7.417	.000	.752	1.330
	X4	-.162	.041	-.320	-3.942	.000	.825	1.212

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X5	-4.706E-5	.000	-.017	-.215	.830	.899	1.113

a. Dependent Variable: Y = Financial Performance (ROA)

Testing the classical assumption of multicollinearity in multiple linear regression analysis obtained VIF values from the variables *Capital* (X1) = 1.113, *Asset Quality* (X2) = 1.063, *Management* (X3) = 1.330, *Earning* (X4) = 1.212, and *Liquidity* (X5) = 1.113, which shows that there are no symptoms of multicollinearity when the VIF value of a variable is less than 10.

Table 5. Heteroscedasticity Test Results

			Unstandardized Residual
Spearman's rho	Unstandardized Residual	Correlation Coefficient	1.000
		Sig. (2-tailed)	.
		N	120
	X1 = Capital	Correlation Coefficient	-.014
		Sig. (2-tailed)	.883
		N	120
	X2 = Asset Quality	Correlation Coefficient	.036
		Sig. (2-tailed)	.694
		N	120
	X3 = Management	Correlation Coefficient	.120
		Sig. (2-tailed)	.190
		N	120
	X4 = Earning	Correlation Coefficient	.030
		Sig. (2-tailed)	.743
		N	120
	X5 = Liquidity	Correlation Coefficient	.040
		Sig. (2-tailed)	.662
		N	120

The results of the analysis showed that there was a significant correlation between the variables *Capital* (X1) = 0.883, *Asset Quality* (X2) = 0.694, *Management* (X3) = 0.190, *Earning* (X4) = 0.743, and *Liquidity* (X5) = 0.662, It can be seen that there is no correlation between residual and independent variables. The significance value of each variable > 0.05. Therefore, the results of this analysis show that no

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heteroscedasticity occurs. It can be concluded that all research variables meet the assumption of heteroscedasticity.

Table 6. Autocorrelation Test Results

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.617a	.380	.353	75.20565	**1.632**

Since the data is not time series data, the classical assumptions used to detect autocorrelation are not applied here. However, if the autocorrelation test is carried out, the classical assumption that autocorrelation will be detected is that the Durbin-Watson value of 1.632 is in the region of doubt, or that DW has no negative or positive autocorrelation. DW is between -2 and +2 which means there is no autocorrelation. Therefore, this indicates the absence of autocorrelation symptoms.

It can be concluded that the multiple linear regression model specified in this study has conformed to the classical assumptions.

Table 7. Results of Multiple Linear Regression Analysis

Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	101.027	28.884		3.498	.001		
	X1 = Capital	-.372	.699	-.041	-.533	.595	.898	1.113
	X2 = Asset Quality	-1.382	1.473	-.071	-.938	.350	.940	1.064
	X3 = Management	.739	.100	.631	7.417	.000	.752	1.330
	X4 = Earning	-.162	.041	-.320	-3.942	.000	.825	1.212
	X5 = Liquidity	-4.706E-5	.000	-.017	-.215	.830	.899	1.113

a. Dependent Variable: Y = Financial Performance (ROA)

Financial Performance = **β0 + β1 X1 + β2 X2 + β3 X3 + β4 X4 + β5 X5 + μi**
Financial Performance = **101,027 – 0.372 X1 – 1,382 X2 + 0,739 X3 – 0,162 X4 – 0.04706 X5 + μi**

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Hypothesis Test

Table 8. Simultaneous Test Results (F)
ANOVAa

Type		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	395474.882	5	79094.976	13.985	**.000b**
	Residual	644771.485	114	5655.890		
	Total	1040246.367	119			

It can be seen from the number $F_{calculation}$ = 13.985 with Sig.0.000 < 0.05: **significant positive**, meaning that there is a conformity and model compatibility with Sig.0.000 < 0.05 has a meaning jointly (simultaneously) *Capital* (X1), *Asset Quality* (X2), *Management* (X3), *Earning* (X4), and *Liquidity* (X5) have a significant effect on financial performance(Y).

Table 9. Partial Test Results (t)

Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	101.027	28.884		3.498	.001		
	X1 = Capital	-.372	.699	-.041	-.533	.595	.898	1.113
	X2 = Asset Quality	-1.382	1.473	-.071	-.938	.350	.940	1.064
	X3 = Management	.739	.100	.631	7.417	.000	.752	1.330
	X4 = Earning	-.162	.041	-.320	-3.942	.000	.825	1.212
	X5 = Liquidity	-4.706E-5	.000	-.017	-.215	.830	.899	1.113

Based on the results of the multiple linear regression analysis table, the following are the findings from the partial test (t):

1. *Capital* measured using CAR, shows a significance value of 0.595 (greater than 0.05), which indicates that Capital measured by CAR has no influence on Financial Performance measured by ROA.
2. *Asset Quality,* as measured by NPLs, has a significance value of 0.350 (greater than 0.05), indicating that Asset Quality as measured by NPLs has no effect on Financial Performance as measured by ROA.

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3. *Management* measured by NPM, shows a significance value of 0.000 (less than 0.05), which means that Management measured by NPM has a positive influence on Financial Performance measured by ROA.
4. *Earnings* measured by BOPO, has a significance value of 0.000 (less than 0.05), which indicates that Earnings measured by BOPO has a negative effect on Financial Performance measured by ROA.
5. *Liquidity* measured by LDR, shows a significance value of 0.830 (greater than 0.05), which means that Liquidity measured by LDR does not affect Financial Performance measured by ROA.

Table 10. Determination Coefficient Test (R^2)

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.617a	.380	.353	75.20565	**1.632**

Based on the table above, the value of the determination coefficient (R2) of 0.353 was obtained. This means that 35.3% of the variation of the bound variables, namely financial performance, is influenced by independent variables such as *Capital, Asset Quality, Management, Earning, and Liquidity*, while the remaining 64.7% is influenced by other factors.

The Influence of *Capital* on Banking Financial Performance

In the hypothesis test for the Capital variable measured using the Capital Adequacy Ratio, a significance value of 0.585 (greater than 0.05) was obtained, which indicates that **Hypothesis 1 was rejected.** This means that Capital measured by the Capital Adequacy Ratio has no effect on the projected financial performance through profitability measured by ROA in banking companies listed on the IDX.

Value *Capital* or the capital adequacy ratio measured using *Capital Adequacy Ratio* The high does not have an effect on the bank's financial performance because the bank has achieved an optimal capital structure, where further capital additions do not significantly improve financial performance. The capital increase only increases the supporting funds without providing additional improvements to profitability or operational efficiency. Excess capital can be stored in the form of liquidity assets that do not generate high income, so they do not contribute directly to improving financial performance. The results of this study are in line with the research conducted by Syachreza and Mais (2020) and Asysidiq and Sudiyatno (2022).

The Influence of *Asset Quality* on Banking Financial Performance

The hypothesis test of the *Asset Quality* variable measured using *Non-Performing Loan* obtained a significance value of 0.350 > 0.05. This shows that **Hypothesis 2 is rejected**. This means *that Asset Quality* as measured using *Non-*

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Performing Loans has no effect on the financial performance measured by ROA in banking companies listed on the IDX.

Asset Quality measured using *Non-Performing Loan* The high has no effect on the bank's financial performance, indicating that the loans made by the bank have defaulted and resulted in direct losses. However, NPLs that do not have a significant effect due to bank may have an effective credit suspension or restructuring policy. With this, banks can reduce the number of loans that fall into the NPL category and manage their impact on financial performance. This policy can help turn non-performing loans into healthy credit again. The results of this study are in line with the research conducted by Pridya, Takarini, and Wikartika (2021) and Asysidiq and Sudiyatno (2022).

The Influence of *Management* on Banking Financial Performance

Based on hypothesis testing for the Management variable measured by Net Profit Margin, a significance value of 0.000 (less than 0.05) was obtained, which indicates that **Hypothesis 3 is accepted**. This means that Management measured using Net Profit Margin has a positive influence on projected financial performance through profitability measured by ROA in banking companies listed on the IDX.

Management measured using a high *Net Profit Margin* has a positive effect on the bank's financial performance because it reflects the bank's ability to manage revenue and costs efficiently, resulting in a net profit that is greater than total revenue. A high NPM shows that banks are able to control operational costs, interest costs, and credit losses, as well as optimize revenue from various sources. With greater net profits, banks have more resources to reinvest in the business, increase capitalization, and strengthen their financial position. Therefore, a high NPM is an important indicator of a bank's financial health and profitability, indicating good financial performance. The results of this study are in line with research conducted by Iswandi (2022) and Novitasari and Yuliati (2022)

The Effect *of Earning* on Banking Financial Performance

In the hypothesis test for the *Earning* variable measured using BOPO has a significance value of 0.000 > 0.05, this shows that **Hypothesis 4 is accepted**. This states that *Earnings* measured using BOPO have a negative effect on the projected financial performance with profitability measured by ROA in banking companies listed on the IDX.

Earning which is calculated using BOPO which has a negative effect on the bank's financial performance because it reflects inefficiencies in the BOPO produced. When BOPO is high, it means that the bank spends most of its revenue to cover operational costs, such as employee salaries, administrative costs, and marketing costs, which reduces the proportion of net profit to revenue. This indicates that banks are not able to manage costs effectively, which has a direct impact on net profit and

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profitability. A high BOPO illustrates the challenge of maintaining a balance between income and expenses, which hinders the achievement of optimal financial performance. The results of this study are in line with the research conducted Pridya, Takarini, and Wikartika (2021) and Syachreza and Mais (2020)

The Effect *of Liquidity* on Banking Financial Performance

Based on the hypothesis testing for the *Liquidity* variable measured using *the Loan to Deposit Ratio* has a significance value of 0.830 > 0.05, this shows that **Hypothesis 5 is rejected**. This means that *Liquidity* measured using *the Loan to Deposit Ratio* has no effect on the projected financial performance with profitability measured by ROA in banking companies listed on the IDX.

Liquidity measured using *Loan to Deposit Ratio* The high level has no effect on the bank's financial performance because it reflects the imbalance in fund management between loans and deposits. This is because banks have a source of funding that is not too dependent on the LDR ratio to maintain liquidity and performance. Banks that can access other sources of funding such as interbank loans, bond issuance, or credit facilities from central banks can maintain their liquidity despite their high LDR. This funding helps banks manage liquidity and support overall financial performance. With proper management, banks can maintain their liquidity and ensure stable operations despite high LDRs. The results of this study are in line with the research conducted Pridya, Takarini, and Wikartika (2021) and Asysidiq and Sudiyatno (2022)

CONCLUSIONS AND SUGGESTIONS

Based on the analysis and discussion that has been carried out previously, it can be concluded that *Capital, Asset Quality*, and *Liquidity* do not have a significant impact on the financial performance of banks. On the contrary*, Management* and *Earning* have a significant influence on the financial performance of banks.

Based on the results of the research, discussion, and conclusion, the following are suggestions that can be given by researchers related to the research that has been carried out, the first for companies is expected to be able to improve financial performance by maximizing the use of capital adequacy, for asset quality must monitor loans in order to reduce the level of non-performing loans, and maintain a balance between loans and deposits to ensure adequate liquidity so that profitability Banking will increase and affect the smooth financial performance of banks. For investors, it is recommended not only to rely on the ratios provided by CAMEL analysis, but also to pay attention to other factors, such as the analysis of financial statements, macroeconomic environment, management, risk, market position, and investment evaluation to see the health of the financial performance of the bank. For the next researcher who will conduct research on CAMEL analysis, it can use other variables that affect financial performance such as ROE, NIM, LCR, NSFR, and Cost

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Income Ratio. And it is recommended to involve a longer period of time to identify long-term trends and changes in the bank's financial performance.

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