

ABSTRACT

It is commonly known that the main factor drives the decision of investment is the return for the investment itself. Somehow a profitable bank may suffer a financial crisis, for instance an insolvency matter that leads the entity to bankruptcy. It is good to be wise to consider all the risk factors that a bank may have, not merely considering the rate of return in making an appropriate investment decision.

The problem of this research is to discover and investigate the influence of CAMELS (Capital, Asset, Management, Earnings, Liquidity and Sensitivity to Market Risk) rating system on Public and Private Banks' profitability performance analyzed by off-site supervision. Some ratios are used to represent CAMELS rating system: CAR (Capital Adequacy Ratio), CEA to EA (Classified Earning Assets to Earning Assets), Operating Ratio (OR), NIM (Net Interest Margin) and LDR (Loan to Deposit Ratio). To present the profitability performance ROA (Return on Asset) and ROE (Return on Equity) are used.

This research uses quantitative approach, multiple linear regressions to analyze the data. There are 27 samples chosen for this research 4 Public Banks and 23 Private Banks. CAR, CEA to EA, NIM and LDR are the independent variable where as ROA and ROE are the dependent variable.

The result of this research shows that only variable NIM and OR has significant influence on ROA and all the independent variable have negative influence on ROA, except variable NIM which has the positive one. In testing ROE, three independent variable; CAR, NIM and OR has significant influence, other variables does not have. All independent variable also have negative influence except variable CEA to EA and NIM.

Key Words: Capital adequacy ratio, classified earning assets to earning assets, operating ratio, net interest margin, loan to deposit ratio, return on assets, return on equity.