

ABSTRACT

The soundness of a bank as an intermediary institution is an important factor to measure bank's performance that can be useful for the stakeholders. Bank's performance can be measured using many indicators. One of the main indicators is bank's financial statement. From financial statement, financial ratios that are commonly used as rating system for banks can be calculated. One of motivations for examining data in ratio form is to exploit an observed empirical regularity between a financial ratio and the estimation or prediction of a variable of interest (for example, the risk of a security or the likelihood of a firm declaring bankruptcy). Financial distress model as an early warning signal needs to be improved to anticipate the conditions leading to bankruptcy.

The objective of this research is to examine factors that could predict financial distress condition of private national banks in Indonesia. The examined factors in this research are CAMELS ratios which consist of CAR, RR, CEA to EA, RLR, ROA, ROE, NIM, OR, FBIR, LDR, and ISR.

Samples of this research consist of 50 private national banks. There are 36 non-financial distressed banks and 14 financial distressed banks. Period of this research is 2005 – 2007. Statistic method used to test on the research hypothesis is regression logistic analysis.

The result shows that CAMELS ratios have classification power to predict financial distress banks with accuracy classification level 97.3%. RR, RLR, ROA, ROE, and ISR are significant at level 5%. Coefficient values show that RR, RLR, and ROA have negative influence to financial distress condition, whereas ROE and ISR have positive influence to financial distress condition. Ratio having the biggest contribution is ROA which is as a proxy of earnings aspect.

Keywords: financial distress, CAMELS ratio