

## CHAPTER 6

### CONCLUSIONS AND RECOMMENDATIONS

#### 6.1 Conclusions

There are several conclusions that can be drawn from the tests conducted, among others:

- Difference in CAMELS performance between state owned banks and private national banks in Indonesia during 2007-2009

Based on the research toward 11 CAMELS ratio which were classified as Capital (CAR), Assets (NPL, APB, PPAPAP, PPAP, APYD), Earnings (ROA, ROE, NIM and BOPO) and Liquidity (LDR), there was no significant difference on Capital and Liquidity performance between state owned banks and private national banks in Indonesia during 2007-2009. Meanwhile, the significant difference were observed in Assets and Earnings performance between state owned banks and private national banks in Indonesia during 2007-2009. In scoring performance between state owned banks and private national banks in Indonesia during 2007-2009, based on the research toward CAMELS ratio performance of state owned banks and private national banks compared to overall banking industry in Indonesia during 2007-2009, state owned banks considered performed better than private national banks based on the results that state owned banks scored higher than industry in 31 periods, while private national banks scored lower than industry in all period.

- Non performing earning assets(APB) ratio movement of banks correlate with IHSG and SUN movement

In IHSG and SUN movement impact on private national banks APB ratio performance. Based on the research toward state owned banks APB ratio in correlation with IHSG and SUN balance movement, there was a negative

significance correlation between SUN balance and APB ratio of the banks. It means that if the SUN balance are higher, as the results the APB ratio of state owned banks will decreased or lower. While for the IHSG movement was not significantly impacted the APB ratio performance of state owned banks. In IHSG and SUN movement impact on private national banks APB ratio performance, based on the research toward private national banks APB ratio in correlation with IHSG and SUN balance movement, there was a positive significance correlation between SUN balance and APB ratio of the banks. It means that if the SUN balance are higher, as the results the APB ratio of private national banks will increased or higher. While for the IHSG movement still not significantly impacted the APB ratio performance of private national banks. In IHSG and SUN movement impact on overall Indonesia banking industry APB ratio performance, based on the research toward overall Indonesia banking industry APB ratio in correlation with IHSG and SUN balance movement, there was a negative significance correlation between SUN balance and APB ratio of the banks. It means that if the SUN balance are higher, as the results the APB ratio of private national banks will decreased or lower. While for the IHSG movement still not significantly impacted the APB ratio performance of overall Indonesia banking Industry.

## 6.2 Research Limitations

There are several limitations in this research both about the data and testing. Limitations include the following:

- The assumption of crisis impact period in Indonesia was based on the movement of some macroeconomic indicators like currency rates, BI rates and economic growth. There were no specific study or literature observe the exact time of the subprime mortgage impact in Indonesia as references.

- The CAMELS scores measurement on banks performance are different with the Bank Indonesia regulation on CAMELS score measurements. On Bank Indonesia measurements, all quantitative and qualitative aspects are measured through some specification. While for this research, the CAMELS ratio only measured the some quantitaive aspect of the banks.
- The Management aspect measurements on this research were excluded, due to it was considered as qualitative aspect of measurements.
- All data on banking ratio were bank only data, so for some banks with subsidiaries contribution were excluded.
- To be more specific on the IHSG movement impact, it should be the banking index rather than all IHSG index.

### 6.3 Recommendation

Based on the results of tests conducted there were some suggestions that need to be communicated to several parties, among others:

- Regulatory (Bank Indonesia)

Bank Indonesia as a regulator on operational of all banks in Indonesia could improve the CAMELS measurement of each banks and take special monitoring to specific ratio performance, especially ratio with strong correlation on economic crisis impact. Bank Indonesia also could intensively monitor the risk exposure on marketable securities and government bonds on bank's portion related to the market volatility. Bank Indonesia should restrict the movement of marketable securities and government bonds between the classification (hold to maturity, available for sale or trading) to monitor the risk exposure. Bank Indonesia should take immediate actions on the banks with alert ratio condition.

- Capital Market and Financial Institution Supervisory Agency

In this regard Bapepam and LK are advised to be more active in providing policies to protect investors both institutional and individual investors from the bank's "naughty". In addition Bapepam and LK also expected to ensure that the company has actually implicate proper Indonesian Accounting Standards in marketable securities and government bonds accounting treatment.

- Investors and other users of the reports

In performing analysis related to the financial statement of the banks, some CAMELS ratio performance has to be in consideration. Based on the research result asset quality and earnings quantitative assessment have to be monitored since it have significant impact correlated with the risk exposure. This may be one consideration in analyzing financial statements that reflect the company's performance.

- Further research

Further research is expected to enhance the existing limitations in this study. All CAMELS's quantitative and qualitative measurements have to be considered to examine proper results.