## UNIVERSITAS INTERNASIONAL BATAM

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# ANALYSIS OF THE EFFECT OF *CAMEL* RATIO ON FINANCIAL DIFFICULTY TOWARDS RURAL BANKS IN RIAU ISLANDS

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## *ABSTRACT*

*This research investigates the relationship between ratios covered by CAMEL and financial difficulties. This research uses panel data with 38 rural banks in Riau Islands with a focus on micro sector. A total of 190 observational data were obtained from publication reports on the Financial Services Authority website.*

*CAMEL proxy consists of capital ratio, asset quality, management, profitability and liquidity. Financial difficulties are the dependent variable, while capital adequacy ratio, non-performing loans, productive asset quality, return on assets, business per employee, profit per employee, operating costs, operating profit margins, net interest margins, loans to deposit ratio and liquidity are all independent variables.*

*The result of this research indicates that the capital adequacy ratio, problem loans, return on assets, operating profit margin and liquidity have a significant positive effect while the quality of productive assets has a significant negative effect on financial difficulties. Variable business per employee, profit per employee, profit per employee, operational costs, operating income, net interest margin and loan to deposit ratio have no significant effect on financial difficulties.*

**Key words**: *CAMEL, Financial Difficulties.*