

## Evaluating the Financial Health of Islamic Banks: A CAMEL Approach at PT BPRS HIK MCI

Santosa<sup>1</sup>, Agniya Thahira<sup>2\*</sup>, Ana Rimbahari<sup>3</sup>

<sup>1,2,3</sup>Program Studi S1 PJJ Manajemen, Universitas Siber Muhammadiyah  
[agniyathahira@gmail.com](mailto:agniyathahira@gmail.com)

### Abstract

*This study aims to analyze the financial soundness of PT BPRS HIK MCI using the CAMEL framework, which comprises Capital, Asset Quality, Management, Earnings, and Liquidity, within the context of recent economic dynamics. The research employs a quantitative approach with a descriptive-analytical design. Secondary data were obtained from the financial statements of PT BPRS HIK MCI for the observed period. Data analysis was conducted by calculating financial ratios representing each CAMEL component and comparing the results with the applicable banking soundness standards. The findings indicate that the overall financial soundness of PT BPRS HIK MCI falls into the healthy category. The capital adequacy ratio reflects the bank's ability to absorb potential risks, asset quality remains within acceptable limits, operational efficiency is relatively well maintained, profitability demonstrates positive performance, and liquidity is sufficient to support the bank's intermediation function. These results suggest that the bank's risk management practices and financial management have been implemented effectively. This study provides managerial implications emphasizing the importance of strengthening capital structure, improving financing quality, enhancing operational efficiency, and maintaining adaptive liquidity management to ensure the sustainability and stability of Islamic rural banks amid economic uncertainty.*

**Keywords:** Bank Soundness, BPRS, CAMEL, Financial Performance, Islamic Banking

### 1. INTRODUCTION

The Islamic banking industry in Indonesia has continued to grow over the past two decades, both in terms of assets, financing, and the number of institutions. However, this growth has also been accompanied by increased risk complexity and pressure on financial stability, especially for smaller institutions like Sharia Rural Banks (BPRS) (Narundana, 2018). Unlike conventional Islamic banks, BPRS has unique characteristics, such as limited business diversification, concentration in financing small and medium enterprises (SMEs) Chit and Rizov (2024), and a relatively high reliance on third-party funds based on mudharabah contracts. This condition makes BPRS more sensitive to fluctuations in the real sector and changes in the local economic conditions.

In this context, evaluating the health of BPRS becomes a strategic issue. A bank's health reflects not only its financial performance but also the institution's ability to manage financing risks, maintain liquidity, and sustain customer trust. Several studies show that the stability of Islamic banks is influenced by asset quality, capital adequacy, operational efficiency, and effective risk management (Danlami, Abduh, & Abdul Razak, 2022; Huda & Hayatunnisa, 2024). However, most of these studies focus on conventional Islamic banks, while empirical research specifically on BPRS is still relatively limited.

PT BPRS HIK MCI was chosen as the object of this study because it shows a dynamic performance phenomenon in recent years. Based on the bank's published financial statements, PT BPRS HIK MCI's net profit fluctuated from Rp 1.95 billion in 2022 to Rp 2.44 billion in 2023, and then rose again to Rp 3.75 billion in 2024. This fluctuation was also followed by changes in the Non-Performing Financing (NPF) ratio, which moved from 5.29% to 6.21% during the same period. Additionally, the Operational Efficiency Ratio (BOPO) showed a declining trend from 91.70% to 87.41%, indicating improved operational efficiency or an increase in financing margins.

These phenomena indicate that the dynamics of PT BPRS HIK MCI's performance cannot be explained solely by general macroeconomic factors. There are indications that the structure of sharia-based financing contracts and concentration on the SME sector also influence the stability of the bank's performance. In Islamic banks, financing risk is not entirely identical to conventional credit risk. In mudharabah and musyarakah contracts, the bank shares the business risk with its customers, so fluctuations in customer business income directly affect the bank's asset quality (Danlami et al.,

2022). Therefore, changes in the real sector can have a more significant impact on the NPF ratio compared to conventional banks with fixed-interest-based financing.

Furthermore, from a liquidity perspective, Islamic banks use *mudharabah* contracts to collect third-party funds. The return received by depositors depends on the bank's financing performance. When profitability declines, the profit-sharing distribution to depositors can decrease, potentially affecting the stability of third-party funds. Studies by [Farooq and Zaheer \(2015\)](#) and [Beck, Demirgüç-Kunt, and Merrouche \(2013\)](#) show that the profit-sharing-based funding structure has different risk characteristics compared to fixed-interest systems. Therefore, liquidity analysis in Islamic banks needs to consider the interaction between profitability, asset quality, and depositor trust.

The CAMEL (Capital, Asset Quality, Management, Earnings, Liquidity) approach is one of the bank health evaluation frameworks widely used by regulators and researchers because it provides a comprehensive picture of a bank's internal condition. Several studies in Indonesia indicate that CAMEL remains relevant in measuring the health of Islamic banks ([Rofiqo, 2022](#); [Syahrir, Hosen, & Wahyudi, 2023](#)). However, most of these studies are comparative among banks or focus on large-scale conventional Islamic banks.

Recent financial market dynamics and macroeconomic factors, including interest rate volatility, global liquidity pressures, and economic policy uncertainties, directly challenge Islamic banks in maintaining their health ([Anisak & Bakhri, 2024](#)). Some studies show that during periods of crisis or external disruptions, several aspects of CAMEL may be simultaneously pressured, such as declining ROA and other profitability proxies, an increase in NPF due to financing risks, and liquidity pressures when deposits do not grow in line with sharia-based financing ([Ajizah & Widarjono, 2023](#); [Fahmi, Wahyuni, & Putra, 2023](#); [Fathiyyah & Muflih, 2023](#)). However, other research indicates that Islamic banks with strong risk governance, progressive risk asset management, and diversified funding sources can maintain relatively stable health despite external turbulence ([Fahmi et al., 2023](#); [Reyad, Chinnasamy, & Madbouly, 2022](#); [Setianti & Haryono, 2023](#)).

The research gap in this study lies in three main aspects. First, the lack of studies specifically evaluating the health of BPRS with a contextual approach to the actual performance fluctuations in recent years. Second, the limited exploration of how profit-sharing principles and sharia contract structures uniquely affect the NPF ratio and liquidity compared to conventional banks. Third, the scarcity of studies linking CAMEL evaluation with the risk characteristics of SMEs, which are the focus of BPRS financing.

Unlike previous CAMEL studies that tend to be descriptive and aggregate, this study examines PT BPRS HIK MCI in-depth by linking each CAMEL component with actual performance phenomena and sharia financing characteristics. This study not only measures financial ratios but also interprets the results within the framework of profit-sharing risks, sharia liquidity structures, and sensitivity to the real sector. Therefore, this study offers a theoretical contribution by contextualizing CAMEL within the framework of small-scale sharia banking and a practical contribution by providing managerial recommendations based on specific risk analyses.

Theoretically, this approach expands the understanding of CAMEL's relevance in the Islamic banking system. Although CAMEL was initially developed in the context of conventional banking, this framework can still be adapted for Islamic banks by considering the characteristics of financing and funding structures based on sharia principles. This adaptation is important to ensure that bank health evaluations are not only numerical but also substantive and aligned with sharia principles. Practically, the results of this study are expected to provide strategic input for PT BPRS HIK MCI's management in strengthening capital structure, improving financing quality, optimizing operational efficiency, and maintaining liquidity stability. Additionally, this study can serve as a reference for regulators and stakeholders in understanding the dynamics of BPRS health amidst economic uncertainties.

Based on the above description, this study aims to analyze the health of PT BPRS HIK MCI using the CAMEL approach, considering the performance fluctuations and sharia financing characteristics. The research questions posed are: How is the health level of PT BPRS HIK MCI based on the CAMEL framework during the observation period? How does the profit-sharing principle affect asset quality and liquidity ratios? And what factors need to be strengthened to

maintain the stability of the bank's performance in the future? Thus, this study not only fills the empirical gap in BPRS health studies but also enriches the literature on Islamic banking with a more contextual and analytical perspective.

The banking industry in Indonesia has grown rapidly in recent decades, with Islamic banks playing an increasingly significant role in the country's economy ([Syathiri, Widyanata, Kumalasari, & Wahyudi, 2026](#)). With the growing demand for sharia-based banking products, Sharia Rural Banks (BPRS) also play an important role in providing financial services to the community, especially in regions with large Muslim populations ([Syafri, 2025](#)). One of the long-operating BPRS that has contributed to the local economy is PT BPRS HIK MCI. The bank has a mission to provide banking services that are fair and transparent with sharia principles that balance economic and social interests.

However, in facing the ever-changing economic dynamics, both globally and nationally, BPRS HIK MCI faces various challenges that affect its financial performance and operational sustainability. Economic uncertainty, exchange rate fluctuations, regulatory changes, and increasing competition in the banking sector are factors that can affect the financial health of this bank. Therefore, evaluating the health of the bank is important to identify potential risks that could impact its performance in the future.

As a business entity operating in the Islamic banking sector, PT BPRS HIK MCI needs to be evaluated specifically in the context of CAMEL to identify internal strengths and weaknesses as well as potential risks arising from current economic dynamics. This evaluation is important for two main reasons: first, the channeling of financing to the SME sector and the national real economy, which is the focus of Islamic bank financing; and second, the need for relevant risk mitigation actions to maintain the bank's financial stability, public trust, and comply with OJK regulations regarding the health of sharia-based banks. National-level studies show variations in the health levels of Islamic banks in Indonesia, with some banks being considered healthy, but there are pressures on several CAMEL components due to both external and internal conditions ([Huda & Hayatunnisa, 2024](#); [Rofiqo, 2022](#); [Sari, 2023](#); [Syahrir et al., 2023](#)). A comparative and comprehensive analysis of CAMEL allows for identifying improvement priorities, particularly in risk management aspects, asset quality, and adequate capital proportions to withstand current economic pressures ([Minarni, Abidin, & Ekowati, 2023](#); [Ramdhoni & Fauzi, 2020](#); [Syahrir et al., 2023](#)).

Several national and international studies support this methodology, showing that CAMEL is relevant for assessing the health of Islamic banks in various economic contexts. However, regional differences and the specific characteristics of sharia financing sectors (e.g., *mudharabah*, *musharakah*, and *murabahah* financing) need to be considered to avoid excessive generalization ([Ajizah & Widarjono, 2023](#); [Danlami et al., 2022](#); [Fahmi et al., 2023](#)). Some literature emphasizes that integrating CAMEL with additional indicators such as RGEC, along with comprehensive historical financial data, can improve the accuracy of overall bank health evaluations ([Sari, 2023](#); [Syahrir et al., 2023](#)). Therefore, this study emphasizes the use of historical financial data from PT BPRS HIK MCI for the relevant period and discusses the results in the context of current macroeconomic conditions in Indonesia ([Huda & Hayatunnisa, 2024](#); [Rofiqo, 2022](#); [Sari, 2023](#); [Syahrir et al., 2023](#)).

## 2. LITERATURE REVIEW

### 2.1 Bank Health Theory

In banking theory, bank health is defined as the ability of a bank to carry out its intermediation function sustainably, maintain financial stability, and meet obligations to stakeholders without causing systemic risk ([Fitriani, 2025](#)). A healthy bank is able to manage risks effectively, maintain stable financial performance, and adapt to changes in the economic environment ([Čihák & Hesse, 2010](#)). The concept of bank health is also closely related to the theory of financial stability, which emphasizes the importance of banking institutions' resilience as the foundation for both national and global financial system stability ([Beck et al., 2013](#)).

In the context of Islamic banking, the concept of bank health has a broader dimension because it not only focuses on financial performance but also on compliance with sharia principles and profit-sharing financing mechanisms ([Fahamsyah, Laila, Rakhmat, & Shabbir, 2023](#)). Islamic banks are required to balance profitability, risk management, and fairness in the distribution of profits.

Therefore, measuring the health of Islamic banks requires a comprehensive and multidimensional approach.

## 2.2 Islamic Banking Risk Management Theory

The theory of banking risk management explains that banks operate in an environment full of uncertainty, requiring an integrated risk management system to maintain stability and business continuity. The main risks faced by banks include financing risk, liquidity risk, operational risk, and market risk. In Islamic banks, financing risk has special characteristics because it uses contracts based on profit-sharing and sales that involve risk-sharing between the bank and the customer ([Saleem, Daragmeh, Zahid, & Sági, 2024](#)).

[Danlami et al. \(2022\)](#) emphasized that the quality of financing risk management is a key factor in maintaining the stability of Islamic banks. Problematic financing that is not effectively managed can lower asset quality and threaten the bank's continuity ([Badunenko, Dadoukis, Fusi, & Simper, 2022](#)). Therefore, risk management theory emphasizes the importance of adequate capital, good asset quality, and managerial efficiency as the main pillars of Islamic bank health.

## 2.3 Financial Intermediation Theory

Financial intermediation theory states that banks act as intermediaries between parties with surplus funds and those in need of funds. In performing this function, banks must be able to allocate funds efficiently while maintaining financial stability ([Gheeraert, 2014](#)). The success of the intermediation function is reflected in the bank's ability to generate profits, maintain liquidity, and control financing risks.

In Islamic banking, the intermediation function is carried out through sharia-based financing mechanisms that emphasize justice and links to the real sector ([Susilawati & Iskandar, 2025](#)). This makes Islamic banks more sensitive to changes in economic conditions and the performance of their customers' businesses ([Farooq & Zaheer, 2015](#)). Therefore, profitability and liquidity indicators are essential in assessing the health of Islamic banks.

## 2.4 CAMEL Approach as a Framework for Bank Health Evaluation

The CAMEL approach is a framework for evaluating bank health that includes five main aspects: Capital, Asset Quality, Management, Earnings, and Liquidity. This framework is widely used by regulators and researchers because it provides a comprehensive overview of a bank's internal condition and its ability to face risks ([Ramdhoni & Fauzi, 2020](#)).

The Capital aspect in CAMEL is based on the theory of capital adequacy, which states that capital functions as the primary buffer against potential losses. Banks with adequate capital are better able to withstand economic shocks and financing risks ([Huda & Hayatunnisa, 2024](#); [Rofiqo, 2022](#)). In Islamic banks, capital adequacy becomes even more important due to the limited hedging instruments and high exposure to the real sector.

The Asset Quality aspect relates to the asset quality theory, which emphasizes that problematic financing is a major source of instability for banks. The non-performing financing (NPF) ratio is an essential indicator in assessing the effectiveness of financing policies and risk management in Islamic banks ([Ajizah & Widarjono, 2023](#)). [Danlami et al. \(2022\)](#) showed that asset quality significantly impacts the stability of Islamic banks in various countries. The Management aspect in CAMEL relates to efficiency and organizational governance theory. Effective management can optimally manage resources, control operational costs, and improve bank performance ([Tornjanski, Marinkovic, & Jancic, 2017](#)). In empirical studies, management is often proxied through operational efficiency ratios such as BOPO, which reflects management's ability to control costs relative to income ([Minarni et al., 2023](#); [Syahrir et al., 2023](#)).

The Earnings aspect relates to profitability theory, which emphasizes the importance of the bank's ability to generate sustainable profits. Profitability is not only the bank's ultimate goal but also serves as an internal source to strengthen capital and support business growth ([Fathiyyah & Muflih, 2023](#)). In Islamic banks, profitability reflects the success of financing management and operational efficiency. The Liquidity aspect is based on liquidity theory, which states that a bank must be able to meet its short-term obligations without disrupting its intermediation function. Healthy

liquidity reflects the balance between fund collection and financing distribution. Studies by [Sari \(2023\)](#) and [Reyad et al. \(2022\)](#) show that effective liquidity management significantly contributes to stability and depositor trust in Islamic banks.

Theoretically, the CAMEL approach is relevant to Islamic banks because it integrates various dimensions of financial performance and risk management into a single evaluation framework ([Bhatti, Sadiq, Albarq, & Juhari, 2022](#)). Although it was originally developed for conventional banking, CAMEL can be adapted for Islamic banks by adjusting the indicators and their interpretation in line with sharia principles ([Ashuri & Hosen, 2022](#)). Thus, CAMEL remains an effective analytical tool for assessing the health of Islamic banks, including BPRS, in facing modern economic dynamics. Based on this theoretical foundation, this study uses the CAMEL approach as the main conceptual framework to evaluate the health of PT BPRS HIK MCI. Each CAMEL component is viewed as representing fundamental aspects that determine the stability, performance, and sustainability of Islamic banks.

### 3. METHODOLOGY

This research uses a quantitative approach with a descriptive-analytical research design. The quantitative approach is chosen because the study aims to measure and evaluate the health level of Islamic banks objectively based on standardized financial indicators, while the descriptive-analytical design is used to describe the financial health condition of PT BPRS HIK MCI and analyze the dynamics of each assessment component based on the CAMEL framework. The object of this research is PT BPRS HIK MCI, an Islamic banking institution operating in Indonesia, with the focus of analysis on the bank's health level in facing current economic dynamics.

The data used in this research is secondary data sourced from the annual financial reports of PT BPRS HIK MCI. The data analyzed includes the balance sheet, income statement, and other relevant supporting reports related to the calculation of CAMEL ratios. The observation period is adjusted according to the availability of the latest publicly published financial data, which reflects the current condition of the bank's health. The data collection technique is carried out using the documentation method, gathering the bank's financial reports from internal sources, official publications, and other relevant documents for the research analysis.

This research uses a quantitative approach with a descriptive-analytical design to evaluate the health of PT BPRS HIK MCI based on the CAMEL framework (Capital, Asset Quality, Management, Earnings, and Liquidity). This approach is chosen because the research aims to measure financial performance objectively through standardized financial ratios that can be replicated.

The observation period for this research is from 2021 to 2025. The selection of this five-year period is made to obtain an adequate time-series trend regarding the bank's performance dynamics, especially before and after the post-pandemic economic recovery phase, as well as in facing changes in the real sector. A time-series analysis allows for the identification of fluctuations in profitability, asset quality, and liquidity in a more comprehensive manner than using a single period.

If PT BPRS HIK MCI operates in 2025, this research uses data from the beginning of its operations until December 2025, and this is explicitly stated as a limitation of the research. In this case, the use of a single period of data is justified due to the unavailability of historical data that would allow for multi-period analysis.

To enrich the analysis, the results of the CAMEL measurements are also discussed comparatively with previous relevant research findings, allowing for the identification of similarities or differences in the health condition of PT BPRS HIK MCI compared to other Islamic banks in Indonesia. With this approach, the research is expected to provide a comprehensive overview of the bank's health level while also generating managerial implications and strategic recommendations that can be used as the basis for decision-making by the management of PT BPRS HIK MCI to maintain financial stability and the sustainability of the bank's performance amid evolving economic dynamics. This research uses five main variables based on the CAMEL method to analyze bank health, as follows:



### 3.1 Capital Adequacy

Measures the bank's capital strength in facing risks and economic uncertainties. This variable is calculated using the CAR (Capital Adequacy Ratio) which reflects the bank's core and supplementary capital. The following matrix is based on the SEOJK system for assessing the health level of Sharia Rural Banks:

Table 1. Criteria capital adequacy

Rating	Predicate	Criteria
1	Very Healthy	$\geq 15\%$
2	Healthy	$>13,5\% - \leq 15\%$
3	Fairly Healthy	$>12\% - \leq 13,5\%$
4	Less Healthy	$>8\% - \leq 12\%$
5	Unhealthy	$< 8\%$

### 3.2 Asset Quality

Measures the quality of the bank's financing portfolio, including problematic loans. The Non-Performing Financing (NPF) ratio is used to describe the bank's asset quality. The following matrix is based on the SEOJK system for assessing the health level of Sharia Rural Banks:

Table 2. Criteria asset quality

Rating	Predicate	Criteria
1	Very Healthy	$\leq 7\%$
2	Healthy	$>7\% - \leq 10\%$
3	Fairly Healthy	$>10\% - \leq 13\%$
4	Less Healthy	$>13\% - \leq 16\%$
5	Unhealthy	$> 16\%$

### 3.3 Management

Assesses the quality of the bank's management in managing resources and risks. This is measured using the BOPO ratio (Operational Costs to Operating Income), which shows operational management efficiency. The following matrix is based on the SEOJK system for assessing the health level of Sharia Rural Banks:

Table 3. Criteria management

Rating	Predicate	Criteria
1	Very Healthy	$\leq 85\%$
2	Healthy	$> 85\% - \leq 90\%$
3	Fairly Healthy	$> 90\% - \leq 95\%$
4	Less Healthy	$> 95\% - \leq 100\%$
5	Unhealthy	$> 100\%$

### 3.4 Earnings

Measures the bank's ability to generate profits. The ratios used are Return on Assets (ROA) and Return on Equity (ROE). The following matrix is based on the SEOJK system for assessing the health level of Sharia Rural Banks:

Table 4. Criteria earnings

Rating	Predicate	Criteria
1	Very Healthy	$\geq 2\%$
2	Healthy	$1,5\% - < 2\%$
3	Fairly Healthy	$1\% - < 1,25\%$
4	Less Healthy	$0,5\% - < 1\%$
5	Unhealthy	$< 0,5\%$

### 3.5 Liquidity

Measures the bank’s ability to meet its short-term obligations. One of the ratios used is the Cash Ratio (CR), which reflects the adequacy of cash to meet short-term obligations. The following matrix is based on the SEOJK system for assessing the health level of Sharia Rural Banks:

Table 5. Criteria liquidity

Rating	Predicate	Criteria
1	Very Healthy	$\geq 6\%$
2	Healthy	$5,5\% - < 6\%$
3	Fairly Healthy	$5\% - < 5,5\%$
4	Less Healthy	$4\% - < 5\%$
5	Unhealthy	$< 4\%$

The data used in this study is obtained from the unaudited financial reports provided by PT BPRS HIK MCI at the end of December 2025. The financial ratios, including figures related to CAR, NPF, BOPO, ROA, ROE, and CR, are analyzed to obtain a comprehensive picture of the bank’s health level. The collected data will be analyzed using a quantitative descriptive method, where each CAMEL ratio will be calculated and compared with industry standards or applicable regulations. This analysis aims to:

- a. Assess how PT BPRS HIK MCI meets the criteria for capital adequacy and asset quality.
- b. Measure management efficiency through the BOPO ratio.
- c. Identify profitability levels through ROA and ROE.
- d. Evaluate the bank’s liquidity in facing liquidity risks.

## 4. RESULT AND DISCUSSION

### 4.1 CAMEL Ratio Summary Table

Table 6. CAMEL ratio summary of PT BPRS HIK MCI for the period 2021–2025

Year	CAR (%)	NPF (%)	BOPO (%)	ROA (%)	FDR (%)	General Category
2021	22.05	1.96	88.25	0.68	110.16	Healthy
2022	20.57	5.02	83.65	1.22	77.71	Healthy
2023	23.72	5.29	91.70	1.29	73.25	Fairly Healthy
2024	23.72	6.21	87.41	1.70	127.17	Fairly Healthy
2025	22.36	5.88	87.81	1.50	76.20	Healthy

### 4.2 CAMEL Ratio Summary Graphs

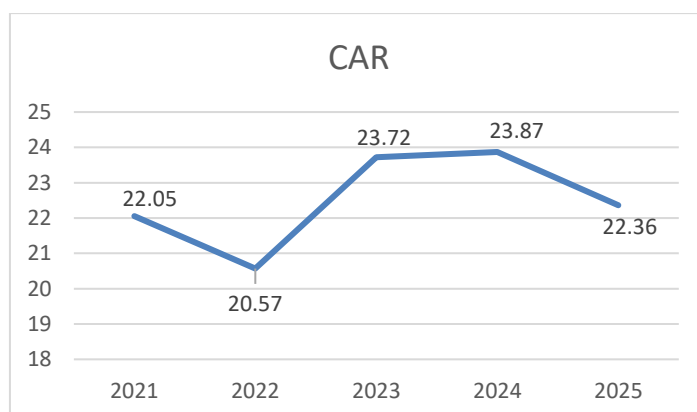


Figure 1. CAR trend 2021–2025

Based on the graph above, although there was a decline in CAR in 2022, CAR showed an upward trend during the period of 2023 to 2024, though it slightly decreased in 2025. This indicates



that the capital adequacy ratio experienced fluctuations but remained at relatively high levels, meaning that the bank still has sufficient capital to bear risks.

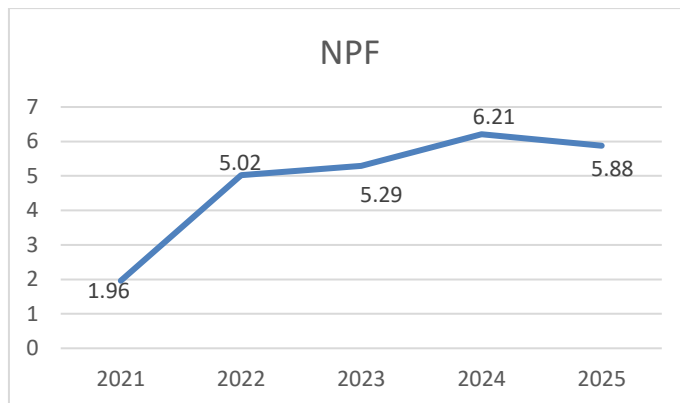


Figure 2. NPF trend 2021–2025

The graph above shows an increased risk profile at the beginning of the period, peaking in 2024. Although there was a downward trend in 2025, the figure remains high when compared to the initial position in 2021.

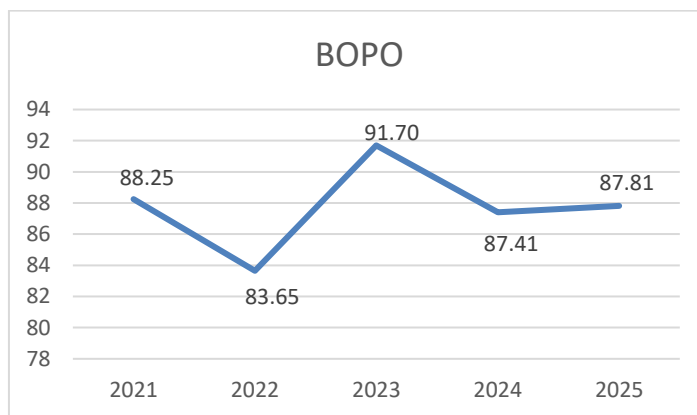


Figure 3. BOPO trend 2021–2025

The graph above shows the BOPO performance experiencing quite dynamic fluctuations. Although it had a significant decline in efficiency in 2023 (approaching 92%), the management managed to bring it back to 87% in the following two years. However, this figure is still higher compared to the efficiency performance in 2022.

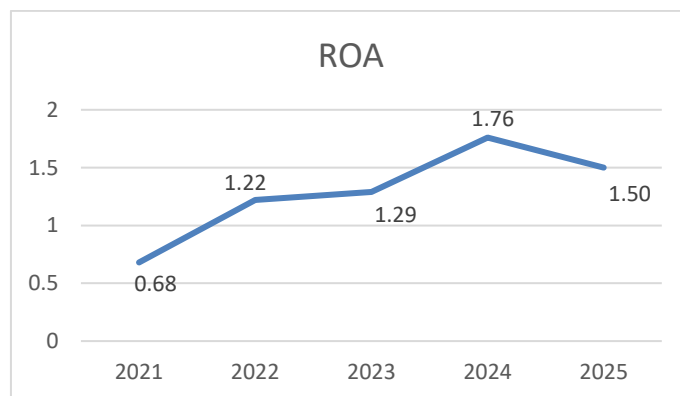


Figure 4. ROA trend 2021–2025



In 2023, when BOPO rose sharply (91.70%), ROA growth slowed down (only slightly increasing to 1.29%). This is logical because high operational costs reduced the profit margin. In 2024, when BOPO was reduced (87.41%), ROA reached its peak (1.76%). This proves a positive correlation between operational cost efficiency and asset profitability.

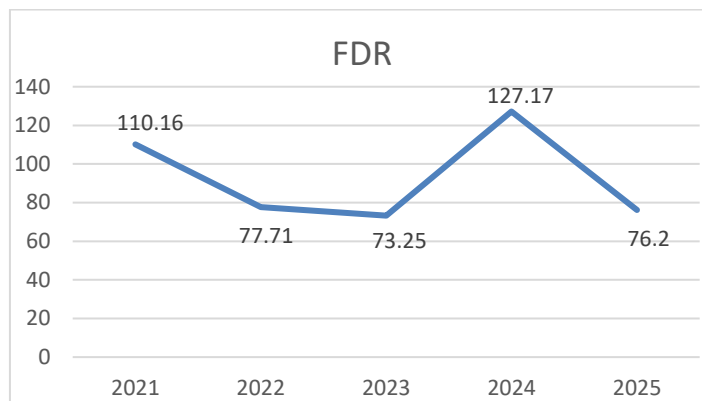


Figure 5. FDR trend 2021–2025

### 4.3 Research Findings

This study concludes that the health level of PT BPRS HIK MCI, based on the CAMEL approach, is generally classified as healthy, although there are performance variations in each assessment component. The financial ratio analysis reflects how the internal condition of the bank interacts with the dynamics of the economy and the characteristics of Islamic banking operations. The discussion aims to interpret the evaluation results of the health level of PT BPRS HIK MCI based on the CAMEL approach and relate it to the dynamics of Islamic banking and previous research findings. The analysis focuses not only on the ratio values but also on the substantive meaning of each CAMEL component in explaining the stability and performance of Islamic banks amidst economic uncertainty.

The findings indicate that PT BPRS HIK MCI is generally classified as healthy. This suggests that the bank is able to maintain a balance between its intermediation function, risk management, and financial sustainability. In the context of Islamic banking, this is crucial because the characteristics of profit-sharing financing carry different risk profiles compared to conventional banks, particularly regarding profit-sharing mechanisms, financing risks, and the limitations of hedging instruments.

From the capital perspective, the Capital Adequacy Ratio (CAR) of PT BPRS HIK MCI shows adequate capital strength. Strong capital acts as the main buffer against financing risks and economic volatility. This finding is consistent with banking theory that places capital as the foundation of financial stability, and aligns with the research of [Rofiqo \(2022\)](#) and [Huda and Hayatunnisa \(2024\)](#) which found that Islamic banks with a high CAR tend to have better health levels. In empirical terms, capital adequacy provides room for the bank to absorb potential losses without disrupting operational continuity, while simultaneously increasing stakeholder confidence.

However, this discussion also emphasizes that capital adequacy should not be viewed as a standalone indicator of bank health. Strong capital needs to be balanced with asset quality and effective risk management. Several international studies suggest that even banks with high capital can still experience pressure if asset quality deteriorates or if risk management is ineffective. Therefore, the healthy CAR finding for PT BPRS HIK MCI should be understood as an initial requirement, not an absolute guarantee for long-term stability.

On the asset quality aspect, the measurement of the Non-Performing Financing (NPF) ratio indicates that the level of problematic financing at PT BPRS HIK MCI remains within safe limits. This reflects the effectiveness of the financing policies and customer selection process. Asset quality is a key determinant of Islamic bank stability, as profit-sharing financing has different risk exposures, particularly in contracts such as mudharabah and musyarakah. This finding supports the research by [Danlami et al. \(2022\)](#), which states that the stability of Islamic banks is highly influenced by asset quality and the structure of their financing.

The findings show that the NPF ratio of PT BPRS HIK MCI increased during the period from 2021 to 2025. This should not be read merely as compliance with healthy thresholds, but as an indicator of the effectiveness of financing risk management policies and the quality of the shariah contract portfolio. In BPRS, financing is generally focused on SMEs, so NPF is highly sensitive to the revenue cycle of debtors' businesses. When financial conditions tighten or capital costs increase, SME cash flows tend to be under pressure, raising the probability of arrears. In Indonesia, the phase of tightening interest rates in 2022–2023 (with BI7DRR rising to 5.25% in November 2022 and 6.00% in October 2023) could increase financing costs in the real sector and worsen some debtors' repayment capacity, thus theoretically raising NPF if mitigation is not strong.

The management aspect, represented by the BOPO ratio, provides insight into operational efficiency. The study shows that PT BPRS HIK MCI has managed to keep the BOPO ratio within a relatively reasonable range, indicating the management's ability to control operational costs relative to income. Operational efficiency is a strategic issue in Islamic banking, considering the limited non-profit-sharing income sources and high operational costs associated with sharia compliance and risk management.

The BOPO ratio can increase for two main reasons: higher operational costs or slower operational income growth. At BPRS, strengthening compliance, improving the quality of financing human resources, and investing in service digitalization may increase costs in the short term, but should help reduce NPF and improve efficiency in the medium term.

On the earnings side, the profit margin from Islamic financing and profit-sharing income may be pressured when liquidity tightens or deposit competition increases. In 2024, OJK reported that the performance of the national Islamic banking sector remained positive, with assets growing and market share increasing—this shows that the Islamic ecosystem as a whole has improved, but competition for gathering funds and service demands has also increased, which could affect the cost of funds and operational costs for small-scale banks.

Comparative literature: [Syahrir et al. \(2023\)](#) and [Minarni et al. \(2023\)](#) emphasize that operational efficiency is the main pathway explaining variations in the profitability of Islamic banks. When the BI Rate dropped throughout 2025 to 4.75% (after being in the range of 5.75% in April 2025 and gradually declining), funding costs tended to be looser, and financing demand could improve—this could support profitability if banks maintain asset quality. Moreover, BPS data shows that Indonesia's economy grew by 5.03% in 2024 and is projected to grow by 5.11% in 2025, which could improve real sector income and reduce default risks (*ceteris paribus*), thus improving BPRS profitability.

These findings align with [Syahrir et al. \(2023\)](#) and [Minarni et al. \(2023\)](#), who emphasize that operational efficiency is a direct reflection of bank management quality. Islamic banks with good efficiency tend to have more stable profitability and stronger resilience against external pressures. However, this discussion also shows that the BOPO ratio, still at a moderate level, indicates room for improvement. Optimizing business processes, digitalizing services, and increasing human resource productivity are relevant strategies to improve efficiency in the future.

On the earnings component, the Return on Assets (ROA) measurement shows that PT BPRS HIK MCI is able to generate profits from its managed assets. Positive profitability reflects the bank's ability to manage assets productively and sustainably. This finding supports the research of [Fathiyah and Muflih \(2023\)](#), which states that the profitability of Islamic banks is influenced by operational efficiency, financing quality, and economic stability. In this context, ROA not only serves as a financial performance indicator but also reflects the effectiveness of the bank's business strategy.

However, this discussion emphasizes that Islamic bank profitability tends to be more volatile than conventional banks, primarily due to dependence on financing the real sector. Research by [Setianti and Haryono \(2023\)](#) shows that changes in the business cycle and market competition levels can significantly affect Islamic bank profitability. Therefore, the positive ROA results at PT BPRS HIK MCI should be understood as an achievement that must be maintained through financing diversification strategies and adaptive risk management.

From the liquidity perspective, the Financing to Deposit Ratio (FDR) shows that PT BPRS HIK MCI is able to maintain a balance between fund collection and financing distribution. Healthy liquidity is key to the bank's sustainability, especially in maintaining depositor trust and operational

stability. This finding is consistent with the research of [Sari \(2023\)](#) and [Reyad et al. \(2022\)](#), which emphasize that good liquidity management is a prerequisite for the sustainability of Islamic banks.

This discussion also highlights that Islamic bank liquidity faces structural challenges, particularly regarding the limited instruments in the Islamic money market and dependence on third-party funds. Therefore, the balanced management of FDR at PT BPRS HIK MCI reflects the management's ability to prudently manage liquidity risk. However, the bank still needs to anticipate potential liquidity pressures that may arise due to changes in depositor behavior or unstable economic conditions.

When profitability declines, profit-sharing can decrease, and if competition is tight, the bank risks experiencing pressure on fund collection (DPK), which will then affect liquidity and FDR. This makes Islamic bank liquidity have a different mechanism compared to conventional banks. International literature shows that the funding structure and business models differentiate the stability of Islamic banks versus conventional banks [Beck et al. \(2013\)](#), and resilience during panic can differ depending on depositor behavior [Farooq & Zaheer, 2015](#).

Thus, if your FDR increases, explain whether it is due to financing expansion (UMKM intermediation strategy) or because DPK is slowing down (e.g., due to funding competition or lower profit-sharing). If FDR decreases, explain whether it is a conservative strategy by the bank to maintain liquidity or because financing demand has weakened.

Overall, the discussion of this research's findings emphasizes that the CAMEL approach remains relevant as a tool for evaluating the health of Islamic banks, particularly in assessing financial performance and internal stability. These findings align with various previous studies showing that CAMEL provides a comprehensive picture of bank conditions, although it needs to be contextualized with the characteristics of sharia financing and economic dynamics [Danlami et al., 2022](#); [Ramdhoni & Fauzi, 2020](#).

#### 4.4 Managerial Implications

The relevant economic dynamics from 2021 to 2025 for PT BPRS HIK MCI primarily involve changes in monetary policy stance, inflation stability, and economic growth trends that impact the cash flow of the real sector/SMEs. During the tightening phase of 2022-2023, Bank Indonesia raised the policy interest rate (e.g., to 5.25% in November 2022 and 6.00% in October 2023) in response to external pressures and currency stabilization. The relatively high interest rates generally increase capital cost pressure and suppress demand and repayment capacity for some SMEs. As a result, the bank needs to sharpen its financing risk management, tighten underwriting standards, and expand early warning systems to keep the Non-Performing Financing (NPF) ratio under control.

Entering 2025, the BI Rate is expected to ease to 4.75% by the end of the year, which could open up room for recovery in financing demand and potentially lower funding cost pressures. On the other hand, BPS reported that Indonesia's economic growth increased from 5.03% in 2024 to 5.11% in 2025, which may improve the real sector's performance and enhance the quality of financing portfolios if the bank can capture the productive SME segment.

In the context of Islamic banking, these dynamics need to be translated into more specific internal policies. First, when interest rates are high, the bank needs to apply selective restructuring policies based on business assessments, rather than just extending loan tenors, to ensure that restructuring truly reduces the risk of default and does not create a buildup of hidden risks in future periods. Second, the bank must strengthen its profit-sharing ratio (nisbah) policy and strategies for collecting third-party funds (DPK) because the profit-sharing mechanism makes fund stability sensitive to profitability. When ROA is under pressure, adjusting the fund product strategy and communicating the value of Islamic finance to depositors becomes essential to maintaining the stability of DPK and liquidity (FDR). Third, in the phase of interest rate easing and economic recovery, the bank needs to prudently expand financing through SME sector diversification, portfolio concentration control, and utilizing historical data to enhance risk assessment quality. Fourth, to reduce the operating cost-to-income ratio (BOPO) and improve ROA sustainably, efficiency strategies should focus on digitizing financing and collection processes, standardizing SME financing analysis SOPs, and strengthening human resource capacity so that operational costs directly contribute to reducing NPF and improving asset quality.

OJK also reported that the national Islamic banking sector's performance at the end of 2024 showed positive trends (asset growth and increased market share), indicating growth opportunities for BPRS. However, this also tightens competition in financing and fund products. Therefore, PT BPRS HIK MCI needs to balance growth strategies with strengthened risk management to ensure that increased financing does not lead to higher NPF or liquidity pressures.

## 5. CONCLUSIONS

### 5.1 Conclusion

Based on the calculation results and analysis of the CAMEL ratios as presented in the CAMEL Calculation Results Table, this study concludes that the overall health level of PT BPRS HIK MCI is categorized as healthy. Each CAMEL component shows relatively stable performance, although there are variations in the achievement levels across indicators. The Capital Adequacy Ratio (CAR) being above the minimum regulatory requirement indicates that the bank has sufficient capital structure to absorb potential financing risks and economic pressures, in line with the findings of [Rofiqo \(2022\)](#) and [Huda and Hayatunnisa \(2024\)](#), which emphasize the central role of capital in maintaining the stability of Islamic banks.

The calculation results for the Non-Performing Financing (NPF) ratio indicate that the asset quality of PT BPRS HIK MCI remains within safe limits, reflecting the effectiveness of financing policies and risk management. This finding is consistent with [Danlami et al. \(2022\)](#), who state that asset quality is a key determinant of the stability of Islamic banks, especially in profit-sharing financing systems. However, current economic dynamics could increase the risk of problematic financing if not accompanied by strengthened selection and monitoring processes, as also highlighted ([Ajizah & Widarjono, 2023](#)).

In terms of management, the BOPO ratio presented in the table shows that the bank's operational efficiency is relatively good, though there is still room for improvement. This underscores that managerial performance plays a significant role in maintaining the balance between costs and operational income in Islamic banks ([Minarni et al., 2023](#); [Syahrir et al., 2023](#)). Meanwhile, the profitability ratio represented by the ROA shows that PT BPRS HIK MCI is able to generate profits from its managed assets, although this profitability is sensitive to changes in economic conditions and financing structure.

From a liquidity perspective, the Financing to Deposit Ratio (FDR) listed in the CAMEL table indicates that the bank is able to maintain a balance between its intermediation function and the ability to meet short-term obligations. This supports the findings of [Sari \(2023\)](#) and [Reyad et al. \(2022\)](#), who state that sound liquidity management is a key prerequisite for the sustainability of Islamic banks and customer trust. Overall, the results of this study affirm that the CAMEL approach remains relevant and effective in evaluating the health level of Islamic banks, especially when contextualized with economic dynamics and the characteristics of Islamic financing in Indonesia.

### 5.2 Research Limitations

This study has several limitations that should be acknowledged. First, the research primarily relies on secondary data sourced from the financial reports of PT BPRS HIK MCI, which may not capture all aspects of the bank's operational challenges, especially those related to qualitative factors like customer satisfaction or internal governance. Second, the study covers a relatively short observation period (2021–2025), limiting the ability to assess long-term trends or more extreme economic scenarios, such as a prolonged financial crisis. Third, the application of the CAMEL framework to BPRS, a smaller institution with a focus on SMEs, may not fully account for the unique risks associated with this niche market. Finally, since the research uses historical financial data, it may not fully incorporate the latest developments in the regulatory or economic environment, which can have a substantial impact on bank performance.

### 5.3 Suggestions and Directions for Future Research

Future research could expand upon this study by incorporating a broader set of variables that include both quantitative and qualitative factors. For example, incorporating customer satisfaction, employee performance, and operational risks would provide a more comprehensive view of bank

health beyond financial ratios. Researchers may also consider longitudinal studies to assess the long-term stability and resilience of BPRS, particularly in the face of ongoing economic volatility. Moreover, future studies could focus on comparative analyses of BPRS with other types of Islamic banks in Indonesia, or even internationally, to explore differences in performance across various market segments. Finally, exploring how external factors, such as regulatory changes or technological advancements in financial services (e.g., digital banking and fintech), affect the stability of BPRS could offer valuable insights for bank managers and policymakers.

#### AUTHOR CONTRIBUTIONS

S conceptualized the study, designed the methodology, conducted data analysis, and wrote the draft of the manuscript. AT assisted with the literature review, provided guidance on the methodology, and contributed to the revision of the manuscript. AR provided insights into the analysis, contributed to the discussion section, and helped with the final editing of the manuscript

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