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Level of Financial Performance in the Banking Industry in Indonesia and Malaysia

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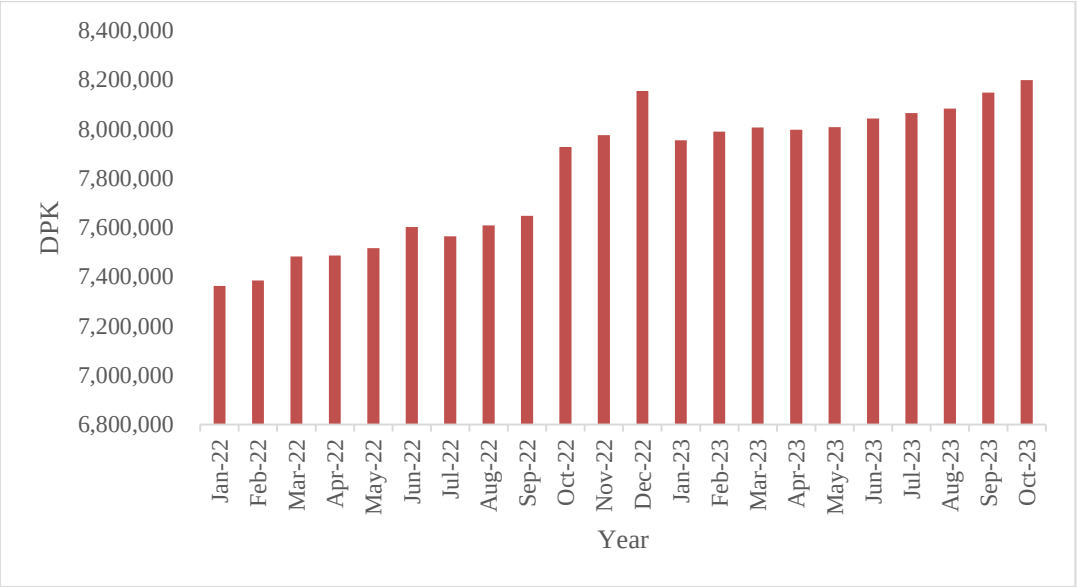
ABSTRACT : *This research aims to find out how the level of Financial Performance is measured using the CAMEL method which includes aspects of Capital, Assets, Management, Earnings, Liquidity in the Banking Industry in Indonesia and Malaysia. In answering the hypothesis, we used different tests through the Independent Sample t-test and the Mann-Whitney U test to see how financial performance differs using the camel method in the two countries. The data in this study uses secondary data originating from Bank Focus with an observation period of 2017 to 2022. These results show that the level of capital is measured through the capital adequacy ratio, the level of assets is measured through the productive asset quality ratio, and the level of earnings is measured measured through the ratio of Operational Expenses to operational income, there is a significant difference in financial performance in the banking industry in Indonesia and Malaysia, and the level of management measured through the net profit margin and the level of liquidity measured through the loan to deposit ratio do not have a significant difference in Indonesia and Malaysia. The financial performance results in this research prove that both countries have had good financial performance using the CAMEL method, but the earnings aspect has performed less well, so it still needs to be improved in the future.*

KEYWORDS – *Financial Performance, CAMEL Methods, Indonesia, Malaysia*

I. INTRODUCTION

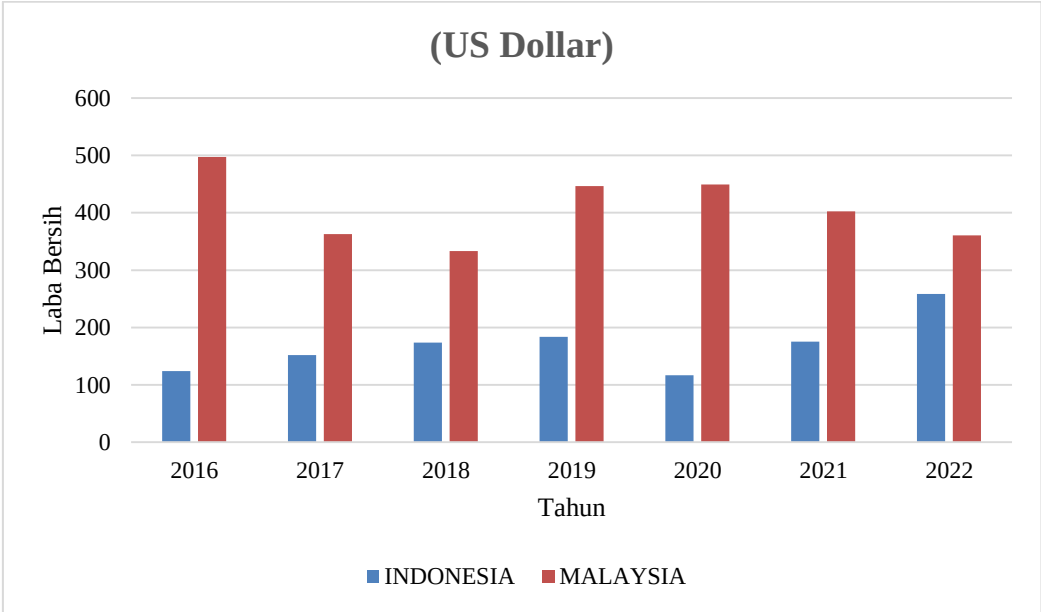
The rapid development of banking companies in Indonesia is marked by the large number of banking companies that have emerged requiring supervision of banks. In this case, Bank Indonesia as the central bank requires control over banking companies to determine the financial condition and business activities of each banking company. Banking in this case is a financial intermediary tool for both parties, both those who need funds and those who have excess funds. The banking position is also very strategic because it is the main financial institution that the government relies on in implementing monetary policy (Bhegawati & Utama, 2020).

The Indonesia financial system in the 1982-1988 period was dominated by banking, especially government-owned commercial banks. The important role of national private banks increased in 1988-1991, focusing on efforts to reduce barriers to market entry and attractive offers such as government-owned commercial bank. This was marked by the formation of 40 new private banks and 15 joint venture banks. Many parties are interested in assessing the performance of a banking company, including managers, investors or potential investors, the government, the business community and other related institutions. Until mid- 2022, banking conditions in Indonesia will gradually improve (Media, 2023). Banking developments can be seen in the image below.



Source: Indonesian banking statistics report, 2024
Figure 1. Development of Commercial Bank DPK in Indonesia

Third party funds (DPK) are funds originating from the public or customers consisting of current accounts, savings, and so on. Figure shows that TPF continued to increase until January 2023 experienced a decline. DPK is an element of income formation because these DPK will be channeled in the form of financing/credit distributed will obtain a rate of return in the form of margin/interest yield will determine the level of profitability. Therefore, optimizing third party funds is very important in increasing profitability (Syahputri & Pimada, 2023). Until the end of 2022, banking conditions will still improve, this can be seen in the image below.



Source: Bank focus data, 2024
Figure 2. Development of Indonesia-Malaysia Net Profit for the 2016-2022 Period

In the picture above, it can be seen that profit growth in Indonesia has increased, this illustrates that the condition of company performance is also good which will make investors interested in investing so that the rate of return and market reaction will increase (Jonathan & Machdar, 2018). Meanwhile, profits at banking companies in Malaysia are seen to decline in 2022. This will cause interest rates to increase in 2022 in Malaysia (Bisnis.com, 2022).

Meanwhile, Bank Indonesia (BI) and Bank Negara Malaysia (BNM), which are the central banks of each country, agreed on financial cooperation and payment systems to strengthen bilateral relations between the two central banks. This agreement was expressed through the signing of a cooperation agreement in the middle of a bilateral meeting between BI and BNM held in Kuala Lumpur, Malaysia, on 27 September 2019. The meeting also discussed the latest economics and financial developments, including in the fields of sharia finance, social financing and financial market development. In the future, BI and BNM are also committed to continuing to strengthen cooperation in order to encourage financial sector development and support sustainable economic growth (Puspaningtyas, 2019).

From the previous explanation, it can be seen how banking has developed in both Indonesia and Malaysia, the two countries have good relations, one of which can be seen through the cooperation carried out to encourage the development of the financial sector and sustainable economic growth. Researchers are interested in further research regarding the economic conditions of the two countries as research objects by looking at the financial performance of the banking sector which plays a very large role in driving the national economy. This is because banking plays a role in all economic activities, including the main driving sector of Indonesia's Gross Domestic Product (GDP) (Javed et al., 2020). Of course, every country wants to increase economic growth, one of which is by improving banking financial performance, which is also a variable in this research. The level of bank performance is one of the important points and targets that must be achieved and achieved by every bank, both conventional and sharia commercial bank (Andriasari & Munawaroh, 2020).

A bank can be said to have good performance if the bank can exercise control over its capital, assets, profitability, management and liquidity aspects. There are several ways to measure the level of company performance, one of which is using the CAMEL (Capital, Asset, Management, Earning, Liquidity) method. There are several ratios used in this method, including the capital ratio, which is used to measure a bank's ability to use its own capital. Then, the asset ratio is used to measure financial efficiency capabilities. There is also a management ratio to determine management activities. Then the earnings ratio is used to measure the profit earned by the bank. And finally, the liquidity ratio is used to see the bank's ability to pay, especially paying short-term loans (Shrestha & Gnawali, 2022).

The CAMEL method is used because this method can determine how well banks can carry out their main function as financial intermediation institutions, namely collecting funds from the public and channeling them back in the form of credit or investment. Apart from that, this method can also assess how much risk a bank faces, how effective bank management is in managing resources, how big the bank's level of profitability is, and how liquid the bank's financial position is (Kannapadang, 2023).

Many previous researchers have conducted similar research, but most researchers have conducted research related to financial performance with different methods, objects and results, including Kim et al., (2021) researching the impact of micro and macro factors on company performance in the context of developing country economies, while Suteja & Sidiq (2020) also examined the effect of financial performance using the CAMEL method on profit growth in Private Commercial Banks in Indonesia. Sapiri et al., (2022) also conducted research related to financial performance by adding other variables, namely company value as an independent variable and financial distress as an intervening variable. This research shows that financial performance has a direct and significant effect on company value, but by adding financial distress as an intervening variable, financial performance does not have a significant effect on company value.

Fuadah et al., (2019) also researched financial performance through Sustainability Reports on companies in Indonesia for 2012-2016. The research results show that Board Size has no significant effect on Sustainability Reporting, while Company Size and Leverage have a positive and significant effect on the Sustainability Report, while the Sustainability Report has a positive and significant effect on Financial Performance. Mikial et al., (2019) also conducted research related to financial performance. This research examined the effect of environmental performance and environmental information disclosure on the financial performance of companies listed on the Indonesia Stock Exchange (BEI). The results of this research show that environmental performance has a positive but not significant effect on financial performance, disclosure of environmental information has a negative and significant effect on financial performance. while Silvianti et al., (2023) added the Corporate Governance Index variable to financial performance which resulted in CGI having a positive and significant effect on the company's financial performance.

Based on this description, research on the financial performance of banking companies is interesting to study. This research aims to analyze, apply and prove empirically how financial performance is measured using the CAMEL method in Indonesia and Malaysia for the period 2017 to 2022.

II. STATE OF THE ART & HYPOTHESIS

The company's financial performance is used as a tool to measure the organization's current development and growth potential. Although there are many indicators that estimate financial performance, choosing the right ratio depends on the characteristics of the object being studied and the research objectives

(Kim *et al.*, 2021). Mikial *et al.*, (2019) conducting research related to Financial Performance, this research examines the influence of environmental performance and environmental information disclosure on financial performance in companies listed on the Indonesia Stock Exchange. This research uses the Return on Asset (ROA), Return on Equity (ROE) and Earning per Share (EPS) ratios to measure financial performance. The results of this research show that environmental performance has a positive but not significant effect on financial performance, disclosure of environmental information has a negative and significant effect on financial performance.

Alarussi & Alhaderi (2018) tested the relationship between bank asset ratios and ROA to measure bank performance. This study finds that Financial strength increases bank performance while financial leverage decreases financial performance in Bangladesh. Apart from that, Ping & Kusairi (2020) also conducted research using the CAMEL component to measure bank performance. They found that capital strength and earning capacity have a positive impact on performance, while the other three CAMEL variables have a negative impact. These factors include a decrease in bank profits due to high liquidity, because liquid assets will reduce the level of returns.

Many previous studies have examined financial performance using different measurements and methods, but in this research, to analyze and also test the financial performance of all commercial banks in Indonesia and Malaysia, the CAMEL analysis method is used which consists of 5 aspects, namely capital, assets. (assets), management (management), income (earnings), and liquidity (liquidity). Mustafa & Husain (2022) Assessment of bank performance levels is the result of aspects of banking regulation and supervision which shows the performance of national banks. Each measured ratio result is interpreted so that it becomes meaningful for decision making. The CAMEL component is a factor that will determine the performance status and health of a bank. Therefore, the CAMEL method is the basic method for assessing bank performance levels which is still considered accurate and simpler (Salman *et al.*, 2022). Many researchers also use this method, some of them Rahmat Hidayat (2020), Andriasari & Munawaroh (2020), Imran (2022), Abraham Lelengboto (2022) and others.

2.1. Hypothesis

A hypothesis is a logically estimated relationship between two variables expressed in the form of a question that can be tested (Sekaran & Bougie, 2013). Based on the conceptual framework and description that has been explained, the hypothesis proposed in this research is that there are differences in the level of financial performance using the CAMEL method between two countries, namely Indonesian banks and Malaysian banks.

2.1.1. Differences in Capital Levels in Banks in Indonesia and Malaysia

The capital of each company is different because each company certainly has different capital. Capital can be further explained through agency theory which is the Grand Theory in this research. According to Hamzah (2018), agency theory is shown by banks as owners of funds who provide financing to customers as agents who manage funds. When financing is distributed, the bank as (owner of the funds) must assess the quality of the financing to the customer (agent). There are several risks resulting from information asymmetry that occurs and then these risks are further exacerbated when bank capital exacerbates agency conflicts between shareholders and managers, especially when managers undertake excessive risk taking to offset the increased cost of capital (Iqbal & Vähämaa, 2019).

The Capital Adequacy Ratio (CAR) can be used to measure the capital adequacy of a bank and fulfill the Minimum Capital Requirement (KPMM). Capital functions to overcome possible risks of loss and maintain company stability. The higher the CAR value, the better the bank is in terms of security and is able to fulfill its obligations (Manumpil *et al.*, 2019).. Therefore, a research hypothesis can be formulated;

H_1 : There are differences in capital levels through CAR ratios in banks in Indonesia and Malaysia

2.1.2. Differences in Asset Levels in Banks in Indonesia and Malaysia

Asset level describes the quality of the company's assets which shows the ability to maintain and return funds invested in the asset ratio, namely the Productive Asset Quality Ratio (KAP) which is classified against productive assets, in other words providing investment financing and then measuring the level of possibility of receiving the funds back. Using this ratio can measure the level of possibility of receiving back the invested funds (Andriasari & Munawaroh, 2020). Agency theory relates to investment financing including assets, this is because in investment financing banks provide financing to the community with an agreed profit sharing agreement. With this profit sharing, it allows the bank to obtain the desired return within the bank so that it is not selfish (Rohmah, 2019). So a hypothesis can be formulated as follows;

H_2 : There are differences in asset levels through KAP ratios in banks in Indonesia and Malaysia

2.1.3. Differences in Management Levels in Banks in Indonesia and Malaysia

In measuring the level of management, this research uses the NPM ratio, because companies that are able to manage operational costs and expenses well will achieve maximum net profit so that from a fundamental perspective it can be categorized as good. All of this is because one of the main focuses that a company/agency pays attention to is net profit, not turnover (Hidayah, 2021). By looking at the comparison of NPM levels between Indonesia and Malaysia, you can see the ability of the two countries to generate net profits from sales. The increase or decrease in company profits cannot be separated from the achievement of the goals and performance of a bank, which of course in this case cannot be separated from the principal as a shareholder. According to this theory, the principal wants to maximize the value of the company, while the agent wants to maximize his own interests, which may not be in line with the principal's interests, giving rise to an Agency Problem (Kusumadewi & Wardhani, 2020). So the next hypothesis is formulated as follows;

H_3 : There are differences in management levels through the NPM ratio in banks in Indonesia and Malaysia

2.1.4. Differences in Earning Levels at Banks in Indonesia and Malaysia

This research also aims to see how the Earning Level is described through BOPO (Operating Expenses on Operating Income). Earnings is a ratio in the assessment that can be based on a bank's profitability or the bank's ability to generate profits (Aulia *et al.*, 2022).

BOPO can be used to measure a bank's ability to generate profits (Lupa *et al.*, 2016). By increasing company profits, this achievement cannot be separated from achieving the goals and performance of a bank, which of course in this case cannot be separated from the principal as a shareholder. According to this theory, the principal wants to maximize the value of the company, while the agent wants to maximize his own interests, which may not be in line with the principal's interests. Conflicts of interest between principals and agents can cause various problems, which is why agency theory is an important theory in this research (Kusumadewi & Wardhani, 2020).

The BOPO ratio is a comparison between operational expenses and operating income in measuring the level of efficiency and ability of a bank in carrying out its operational activities. The smaller the BOPO ratio, the better, because the bank concerned can cover its operational expenses with its operating income (Kurniasari, 2017). From this explanation, the following hypothesis can be determined;

H_4: There are differences in the level of earnings through the BOPO ratio at banks in Indonesia and Malaysia

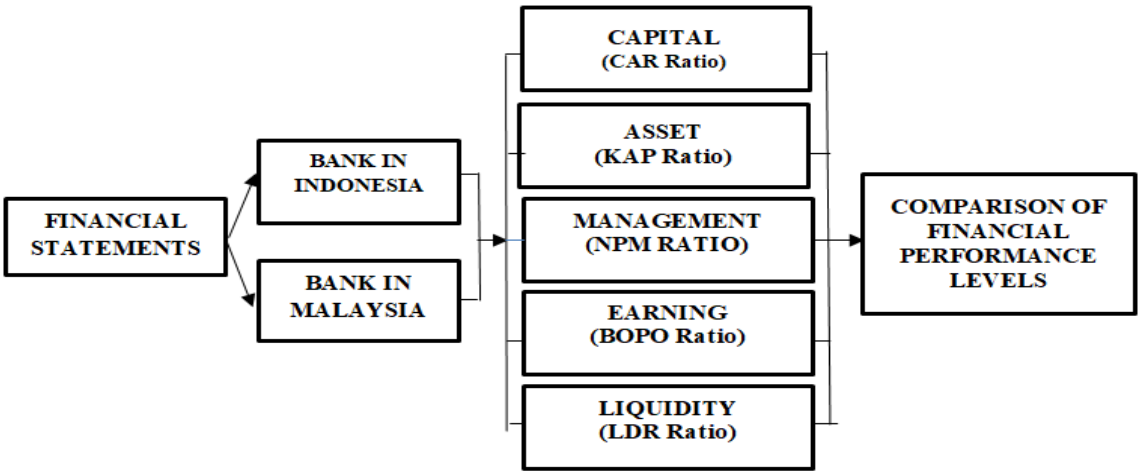
2.1.5. Differences in Liquidity Levels in Banks in Indonesia and Malaysia

Damayanti & Andriyani (2022) stated that one of the ratios used to measure liquidity is the Loan to Deposit Ratio (LDR), namely the comparison between total credit provided and total third party funds. at maturity or at the time of disbursement and can fulfill credit requests submitted by customers.

Agency theory relates to third party funds consisting of current accounts, savings and deposits. Third party funds collected and managed by the bank are inseparable from management performance to obtain the desired return within the bank which is directed not to prioritize the management's own interests, but rather there is a balance point between the interests of the bank and the interests of each management (Rohmah, 2019).

This research looks at the comparison of liquidity levels through the LDR ratio at banks in Indonesia and Malaysia. A bank's LDR that is below standard indicates a lack of bank effectiveness in distributing credit. On the other hand, a bank's LDR that is above the standard will increase the bank's liquidity risk (Piliang, 2019). We can conclude that the lower the bank's LDR ratio, the more liquid the bank will be. So from this explanation a hypothesis can be determined;

H_5: There are differences in the level of liquidity through the LDR ratio in banks in Indonesia and Malaysia



Source: data processed, 2024
Figure 3. Conceptual Framework

III. RESEARCH METHOD

The scope of this research is to analyze, apply and prove empirically the level of financial performance measured using the CAMEL method which includes aspects of Capital, Asset, Management, Earning, Liquidity in the banking industry in Indonesia and Malaysia and find out which country has better financial performance. healthy in the banking industry. Therefore, the sample in this research is the banking industry in Indonesia and Malaysia for the 2017-2022 period. This research uses time series data for 2017-2022 and cross section data consisting of the banking industry in Indonesia and Malaysia which is available in Bank Focus.

The sampling method in this study used a purposive sampling method. The purposive sampling method is a sampling method by collecting people or data that meet certain criteria in order to provide the information needed by researchers (Sugiyono, 2017). The sample criteria in this research are: a) The banking industry in Indonesia and Malaysia 2017-2022; b). Company data is available at Focus Bank; c) Have complete data related to the variables used in this research.

Presentation of the initial stages of data analysis techniques in this research, namely descriptive statistics. The next step in starting this analysis is that a data normality test is needed to find out whether each variable is normally distributed or not. The normality test is needed to carry out tests on other variables by assuming that the residual values follow a normal distribution. If this assumption is violated then the statistical test becomes invalid and parametric statistics cannot be used. The data normality test is carried out using the Shapiro Wilk Test or Kolmogorov Smirnov Test provided that if the sig.α value > α = 0.05 then H_0 is rejected, in other words the sample data is normally distributed. The normality test will determine the hypothesis test used in the research. If the data is normally distributed, the Independent t-Test will be used and if the data is not normally distributed, the Mann-Whitney U test will be used (Azzahroh *et al.*, 2018).

The next stage is to answer the hypothesis in this research which has been presented in the state of the art and hypothesis section, namely the difference test, a) Independent sample t test. The analysis used to test the research hypothesis is the difference test or t test. The t test used is the Independent Sample t-Test. Independent Sample Test t-Test is a method used to compare two groups of means from two different samples (Independent). In principle, the Independent Sample t-Test serves to find out whether there is a mean difference between two populations by comparing the two sample means (Ghozali, 2013); b) Mann Whitney U test, this non-parametric statistical test is used if the data does not meet statistical assumptions, namely there is data that is normally distributed and has non-homogeneous variance, is normally distributed but not homogeneous, and is not normally distributed and is not homogeneous. The non-parametric statistical test that will be used if the parametric assumptions are not met is the Mann-Whitney Test or also called the U Test. From the analysis stages above, we also present operational definitions of variables which can be stated in the table below.

Table 1. Operational Definition of Variables

No.	Variable	Definition	Indicator	Measurement scale	Health level (Credit Score)
1	*Capital* Ratio	This ratio is used to measure a bank's capital adequacy against	*Capital Adequacy Ratio* (CAR)	CAR = $\frac{Modal\ Bank}{ATMR}$ x 100%	> 81 (Healthy) 66-81 (Quite healthy) 61-65 (Unwell)

		supporting assets that contain or pose risks, for example credit (Suresh & Pradhan, 2023).		Kredit Value = $\frac{Rasio}{0{,}1\%} + 1$	<61 (Not healthy)
2	Asset Ratio	Describes the quality of assets in the company which shows the ability to maintain and return invested funds (Istanti *et al.*, 2022).	Kualitas Aktiva Produktif (KAP)	KAP = $\frac{Aktiva\ Produktif\ yang\ diklasifikasikan}{Total\ Aktiva\ Produktif} x$ 100% Nilai Kredit = $\frac{15{,}5\% - Rasio}{0{,}15\%}$ + 100%	81-100 (Helathy) 66-80 (Quite healthy) 51-65 (Unwell) 0-50 (not healthy)
3	Management	The management aspect is proxied by the net profit margin considering this ratio shows how management manages each source of use or allocation of funds efficiently (Istanti *et al.*, 2022).	*Net Profit Margin* (NPM)	NPM = $\frac{Laba\ Bersih}{Pendapatan\ Operasional} x$ 100%	81-100 (Helathy) 66-80 (Quite healthy) 51-65 (Unwell) 0-50 (not healthy)
4	Earning Ratio	a ratio in the assessment that can be based on a bank's profitability or the bank's ability to generate profits (Aulia *et al.*, 2022).	Beban Operasional terhadap Pendapatan Operasional (BOPO)	BOPO = $\frac{Total\ Beban\ Operasional}{Total\ Pendapatan\ Operasional}$ x 100% Nilai Kredit = $\frac{100\% - Rasio}{0{,}08\%}$ + 1	81-100 (Helathy) 66-80 (Quite healthy) 51-65 (Unwell) 0-50 (not healthy)
5	Liquidity Ratio	The bank's ability to pay disbursement of funds from its depositors at maturity or at the time of disbursement and to be able to meet credit requests submitted by customers (Damayanti & Andriyani, 2022).	Loan to Deposit Ratio (LDR)	LDR = $\frac{Total\ Kredit}{Total\ Dana\ Pihak\ Ketiga} x$ 100% Nilai Kredit = (115% - Rasio) x 4	81-100 (Helathy) 66-80 (Quite healthy) 51-65 (Unwell) 0-50 (not healthy)

IV. FIGURES AND TABLES

4.1. Descriptive statistics

Descriptive statistics is statistical analysis that provides a general description of the characteristics of each research variable as seen from the average (mean), maximum and minimum values. In this research, a discussion of descriptive statistical analysis was carried out for normal data. Banking data that meets the sample criteria for this research is only 44 banks in Indonesia and Malaysia with the research time period from 2017 to 2022. The results of descriptive statistical analysis from 44 banks in Indonesia and Malaysia are as follows.

Table 2. Descriptive Statistics of Financial Performance Using the Camel Method in Banking in Indonesia and Malaysia

	Min.	Max.	Mean	Std. Deviation
Indonesian Capital Ratio	14.16	61.17	29.91	12.15
Malaysian Capital Ratio	15.40	22.76	18.62	2.00
Indonesian Asset Ratio	0.04	4.70	2.23	1.11
Malaysian Asset Ratio	3.27	11.90	6.85	3.24
Indonesian Management Level	-87.11	80.33	31.80	38.09
Malaysian Management Level	13.11	53.63	29.96	11.93
Indonesian Earnings Level	55.17	153.04	91.80	20.98
Malaysian Earnings Level	58.92	361.61	147.97	83.38
Indonesian Liquidity Level	39.33	145.84	86.23	20.34
Malaysian Liquidity Level	80.17	110.17	90.10	7.71

Source: Data processed, 2024

Based on the table above, it can be concluded that financial performance using the camel method through the capital ratio variable in Indonesia has the smallest value of 14.16, while in Malaysian banking it has a value of 15.40 and the largest value is the capital ratio in Indonesian banking of 61.17 and in Malaysian banking of 61.17. 22.76. The average capital ratio in banks in Indonesia is greater than the average capital ratio in Malaysian banks, which means that the capital of sharia banking in Indonesia is better than that of Malaysian banks, which is in accordance with Bank Indonesia Regulation Number 6/10/ PBI/2004 used by the OJK regarding the Commercial Bank Soundness Level Assessment System, the CAR set is greater than 8 percent. The standard deviation value of the Capital Ratio through CAR in banks in Indonesia and Malaysia is 12.15 and 2.00 (below the average), which means that the capital ratio in both banks in Indonesia and Malaysia has a low level of data variation.

The asset ratio variable which is measured through the Productive Asset Quality Ratio (KAP) in banking in Indonesia has a minimum, maximum and mean (average) value that is lower than Malaysia, so it can be said that the banking industry in Malaysia is superior compared to other industries. banking in Indonesia. This shows that the banking industry in Malaysia is better able to manage asset funds well and be able to anticipate the risk of default on financing, the banking industry itself must be able to grow its assets in making investments that produce high profits. The standard deviation value of the asset ratio through KAP in banks in Indonesia and Malaysia is 1.11 and 3.24 (below the average), which means that the asset ratio in both banks in Indonesia and Malaysia has a low level of data variation.

The management level variable through calculating the NPM ratio in banking in Indonesia and Malaysia has a minimum value of -87.11 and 13.11, while the maximum value in banking in these two countries has a value of 80.33 and 53.63, and an average value (mean) of 31.80 in banking in Indonesia while in Malaysia it is 29.96. So it can be concluded that the banks of the two countries are quite efficient in minimizing operational costs to increase their operational income, as well as the strong political support from both countries which is encouraging the banking industry rapidly and also makes the two countries continue to strive to increase their operational income and minimize operational expenses so that The company's profits have also increased, this is in accordance with BI standards, which must exceed 4.9 percent in achieving management targets. The standard deviation (standard dev.) value of management level through NPM in banking in Indonesia and Malaysia is 38.09 and 11.93, which means that the management level in banking in Indonesia has a higher standard deviation than Malaysia, which can be seen from the mean value, so the data in banking in Indonesia has a high level of variation compared to data variation in Malaysian banking which is quite low.

The earnings level variable through BOPO in banking in Indonesia has a minimum, maximum and mean (average) value that is lower than Malaysia, so it can be said that the banking industry in Malaysia is superior to the banking industry in Indonesia in terms of operating expenses on income. operational (BOPO). So it can be said that both have unequal levels of operational expenses and operating income, this can be seen from

the results shown by both countries, namely above 94 percent, where the safe BOPO ratio set by the OJK is below 94 percent. The standard deviation value of earnings levels through BOPO in banks in Indonesia and Malaysia is 20.98 and 83.38 (below the average), which means that the earnings levels in both banks in Indonesia and Malaysia have a low level of data variation.

The liquidity level variable which is measured through the Loan to Deposit Ratio (LDR) ratio in banks in Indonesia has a maximum value higher than Malaysia (145.84 > 110.17), while the mean (average) value in banks in Indonesia is 86.23 and 90.10 in banks in Malaysia, it can be said that the LDR ratio value in the two banks does not have a significantly different value so that the LDR ratio in the banking industry in the two countries, namely Indonesia and Malaysia, does not have a significant difference, which means that the level of disbursement of funds and adequate credit requests by customers has the same character and is not too high, where the safe limit set by Bank Indonesia is 78 percent to 92 percent. The standard deviation value of the level of liquidity through LDR in banks in Indonesia and Malaysia is 20.34 and 7.71 (below the average), which means that the level of liquidity in both banks in Indonesia and Malaysia has a low level of data variation.

4.2. Normality test

The normality test is used in this research to determine whether the data is normally distributed or not. The method used in the normality test is the Shapiro-Wilk test. The normality test will determine the hypothesis test used in the research. If the data is normally distributed, the independent sample t-test will be used and if the data is not normally distributed, the Mann-Whitney U test will be used. The table below shows the results of the normality test using the Shapiro-Wilk test for all banking financial performance ratio indicators in Indonesia and Malaysia for the 2017-2022 period.

Table 2. Normality Test Results

Camel Method	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
CAR_IND	0.239	32	0.000	0.864	32	0.001
CAR_MLY	0.191	12	0.200[a]	0.956	12	0.729
KAP_IND	0.132	32	0.167	0.961	32	0.295
KAP_MLY	0.235	12	0.065	0.853	12	0.040
NPM_IND	0.132	32	0.171	0.911	32	0.012
NPM_MLY	0.186	12	0.200*	0.933	12	0.410
BOPO_IND	0.137	32	0.133	0.963	32	0.325
BOPO_MLY	0.238	12	0.060	0.850	12	0.037
LDR_IND	0.184	32	0.007	0.937	32	0.062
LDR_MLY	0.287	12	0.007	0.833	12	0.023

a. Lilliefors Significance Correction

Source: data processed, 2024

Based on the results of the data normality test, from the table above (Lilliefors Significance Correction) it is known that the Shapiro-Wilk test on the five financial performance indicators such as the CAR ratio, KAP ratio, NPM ratio, BOPO ratio and LDR ratio, there are several indicators that are not distributed. normal by showing a probability value below 5 percent (< 0.05), or does not meet the normality test requirements. The results of this test indicate that this research cannot use the parametric independent sample t-test as a hypothesis test that has been determined in this research, and will be continued with a non-parametric test, namely the Mann-Whitney U test.

4.3. Hypothesis test (Mann-Whitney U test)

The Mann-Whitney U test is used to determine whether or not there are differences between two independent samples. This non-parametric statistical test is used if the data does not meet statistical assumptions. The Mann-Whitney test is a non-parametric test which is an alternative to the independent sample t-test (parametric test).

Table 3. Hypothesis Testing At The Level Of Financial Performance Using The Camel Method In The Banking Industry In Indonesia And Malaysia

Camel Methods	Mann-Whitney U	Asymp. Sig. (2-Tailed)
Capital Ratio (CAR)*	43.000	0.000
Asset Ratio (KAP)*	10.000	0.000
Management (NPM)	190.000	0.958
Earnings (BOPO)*	102.000	0.018
Liquidity (LDR)	133.000	0.120

*Note: *significance at 1 percent, **Significance at 5 percent, ***Significance at 10 percent*

Source: data processed, 2024

Based on the table above, it shows that the results of the Mann-Whitney test on the CAR ratio have a probability value of 0.000 or Sig. (2-tailed) < 0.05, thus the two sample groups have different average CARs. So H_1 is accepted, which means there is a significant difference in the level of CAR capital ratios in banks in Indonesia and Malaysia. This is also supported by a very significant difference in the average CAR value of 11.29, where in the banking industry in Indonesia it is 29.91, while the average CAR for the banking industry in Malaysia is 18.62. This difference can also illustrate that sharia banking capital in Indonesia is better than Malaysia, where this is in accordance with Bank Indonesia Regulation Number 6/10/PBI/2004 used by the OJK regarding the Commercial Bank Soundness Level Assessment System, the CAR set is >8 percent (Namira, 2019).

Based on the table above, it shows that the results of the Mann-Whitney test at the asset level via the KAP ratio have a probability value of 0.000 or Sig. (2-tailed) < 0.05, thus the two sample groups have different KAP averages. So H_2 is accepted, which means there is a significant difference in asset levels through the productive asset quality ratio (KAP) in banks in Indonesia and Malaysia. The results of the analysis show that the Productive Asset Quality (KAP) ratio which is described as the quality of the company's assets which shows the ability to maintain and return funds invested in banks in Indonesia is lower compared to banks in Malaysia, which means that the level of safeguarding and The return on funds invested in the asset ratio of banks in Malaysia is better compared to banks in Indonesia. This is also supported by a very significant difference in the average KAP value for the banking industry in Indonesia, which is 2,265, while in the banking industry in Malaysia it is 6,849.

Based on the table above, it shows that the results of the Mann-Whitney test at the management level via the NPM ratio have a probability value of 0.958 or Sig. (2-tailed) > 0.05, thus the two sample groups have the same KAP average. So H_3 is rejected, which means there is no significant difference in management level through the NPM ratio in banks in Indonesia and Malaysia. The results of the analysis show that the NPM ratio, which is described as the company's ability to generate net profits from sales to banks in the two countries, namely Indonesia and Malaysia, does not have a significant difference, this indicates that management in both Indonesia and Malaysia manages the sources and allocation of funds. well and efficiently, this is shown by the average value of the NPM ratio in Indonesia and Malaysia exceeding 4.9% according to BI standards, which means having good financial performance in achieving management targets.

Based on the table above, it shows that the results of the Mann-Whitney test on the level of earnings through BOPO (operating expenses on operating income) have a probability value of 0.018 or Sig. (2-tailed) < 0.05, thus the two sample groups have different average BOPO. So H_4 is accepted, which means there is a significant difference in the level of earnings through BOPO (operating expenses on operational income at banks in Indonesia and Malaysia.

Based on the table above, it shows that the results of the Mann-Whitney test on the level of liquidity via the Loan to Deposit Ratio (LDR) have a probability value of 0.120 or Sig. (2-tailed) > 0.05, thus the two sample groups have the same average LDR. So H_5 is rejected, which means there is no significant difference in the level of liquidity through the Loan to Deposit Ratio (LDR) at banks in Indonesia and Malaysia.

4.4. Discussion

4.4.1. The level of capital through the CAR ratio in the banking industry in Indonesia is different from Malaysia

The results of the analysis show that the Capital Adequacy Ratio (CAR) ratio used to measure the capital adequacy of banks and the fulfillment of Minimum Capital Requirements (KPMM) in banks in Indonesia is higher than banks in Malaysia and is statistically different. Where it can be seen that the CAR ratio has a probability value of 0.000 or Sig. (2-tailed) < 0.05, thus the two sample groups have different average CARs. So

H_1 is accepted, which means there is a significant difference in the level of CAR capital ratios in banks in Indonesia and Malaysia. This difference is also supported by the average CAR ratio level. The CAR ratio is measured based on the bank's financial strength and capital position (Rasli et al., 2020). A higher ratio indicates that the bank has sufficient capital to fund the expansion of its operations, investor protection, and the bank is stronger. The strength of a bank depends on the availability of capital funds (Ab-Rahim et al., 2018).

The difference in CAR ratio levels in the two countries can be seen from the very significant difference in the average CAR ratio of the banking industry in Indonesia, which is 29.91, while the average CAR ratio of the banking industry in Malaysia is 18.62, which can be seen from the average CAR ratio. in the banking industry in Indonesia is higher than in Malaysia from 2017 to 2022, namely 11.29. This difference indicates that banking capital in Indonesia is better than Malaysia because the higher the CAR value reflects the bank's ability to face possible financial risks that occur (Lestari, 2020). This indicates that in general banking in Indonesia is quite good at protecting its customers and maintaining overall financial stability. Even though the average CAR ratio of the two countries is different, both countries also have a good level of CAR ratio according to Bank Indonesia Regulation Number 6/10/PBI/2004 which is used by the OJK concerning the Commercial Bank Soundness Level Assessment System, the CAR determined is >8 percent (Namira, 2019). This indicates that the capital position of the two countries is in good condition (Lestari, 2020). The difference in CAR levels between the two countries, where Indonesia has a higher average CAR ratio than Malaysia in 2017-2022, is due to a number of policies that have been implemented in Indonesia, including providing bank credit restructuring (Wiratmini, 2020). Even though Malaysia has a lower average CAR ratio in the banking industry, Malaysia is also able to have sufficient capital to support its assets so that investors can also use it to decide whether to invest in the bank or elsewhere. This result is supported by research conducted conducted by (Muhmad & Hashim, 2015) who revealed that the significance of the ratio of total capital to total assets shows that the banking sector in Malaysia has sufficient capital to support its assets. Thus, investors can also use it to decide whether to put their money in the bank or elsewhere

The results of the same research also conducted by Maryam & Bustamam (2017) show that there are differences in capital levels in banking in Indonesia and Malaysia, both conventional and sharia banking. This result is also strengthened by research conducted by Mahdi (2021) which shows that there is a significant difference in the CAR ratio of sharia banking in Indonesia and Malaysia, where the CAR ratio of Indonesian sharia banking is superior to that of Malaysia. This shows that sharia banking capital in Indonesia is better than Malaysia.

4.4.2. The level of assets through the KAP ratio in the banking industry in Indonesia is different from Malaysia

The results of the analysis show that the Productive Asset Quality (KAP) ratio in the banking industry in Indonesia is lower compared to the banking industry in Malaysia. This difference can be seen through the results of the Mann-Whitney test where the KAP ratio has a probability value of 0.000 or Sig. (2-tailed) < 0.05, so H_2 is accepted, which means there is a significant difference in asset levels through the productive asset quality ratio (KAP) in banks in Indonesia and Malaysia. This is also supported by the very significant difference in the average KAP value for banks in Indonesia of 2,265, while for banks in Malaysia it is 6,849. This shows that the banking industry in Malaysia is better able to manage asset funds well and is able to anticipate the risk of default on financing, the banking industry itself must be able to grow its assets in making investments that produce high profits (Samail et al., 2018).

The significant differences shown in this research are in line with previous research conducted by Lestari (2020) which also shows research results that support this research, namely the differences in asset values in banks in Indonesia and Malaysia. This difference could be due to one of the regulatory systems in each country which greatly influences the rapid growth of banks. The development of the banking industry in Malaysia, especially sharia banking, is very rapid, driven by the government's responsiveness, which has been proven to continue to experience a positive increase in profits in 2020 (Bernama, 2022). The increase in profits was also due to good management of the assets owned by the bank in order to obtain income according to its function (Rosita et al., 2024).

The results of research conducted by Muhmad & Hashim (2015) found that asset levels measured using the KAP ratio are also important in determining bank performance. This can be seen from the results shown in this research where the KAP ratio, which is one of the indicators in measuring the financial performance of banks in both countries, continues to strive to increase the KAP ratio, even though both experienced a decline in 2021, both were able to increase again in 2021. 2022.

4.4.3. The level of management through the NPM ratio in the banking industry in Indonesia is different from Malaysia

The results of the analysis show that the average NPM ratio in the banking industry in the two countries, namely Indonesia and Malaysia, does not have a significant difference, this can be seen from the results of the Mann-Whitney test at the management level through the NPM ratio having a probability value of 0.958 or Sig. (2-tailed) > 0.05, thus the two sample groups have the same KAP average. So H_3 is rejected, which means there is no significant difference in management level through the NPM ratio in banks in Indonesia and Malaysia. This indicates that management in both Indonesia and Malaysia manages sources and allocates the use of funds well and efficiently. This difference is also supported by results which show that the average value of the NPM ratio in Indonesia and Malaysia exceeds 4.9% according to BI standards, which means they have good financial performance in achieving management targets. This describes the company's ability to generate net profits from its sales. The difference in the results of the two countries is indicated by the difference which is not too significant in the average NPM value for banks in Indonesia of 33.70, while for banks in Malaysia it is 30.00. The results show that there is a not very significant difference between the two countries, namely 3.70. However, both countries both have quite high average NPM values.

The average NPM value of Indonesian banks and Malaysian banks which is quite high and does not have much difference implies that the banks of the two countries are quite efficient in minimizing operational costs to increase their operational income, as well as the existence of strong political support from both countries which is driving the banking industry rapidly. also makes the two countries continue to strive to increase their operational income and minimize operational expenses so that company profits also increase (Maryam & Bustamam, 2017). These results are also supported by research conducted by Hadi et al., (2019) which shows that there is no significant difference between the performance of Bank Mandiri Indonesia and Malayan Bank Malaysia on the NPM ratio in assessing bank health, both banks are making efforts to continue to improve performance. One way to improve financial performance is by increasing operational income and minimizing operational expenses.

4.4.4. The level of earnings through the BOPO ratio in the banking industry in Indonesia is different from Malaysia

The results of the analysis show that the BOPO (operating expenses on operating income) value of banks in Indonesia is lower compared to banks in Malaysia. This result can be seen through the average BOPO ratio of each country in the banking industry. There are differences in the BOPO ratios of the two countries, which means that the BOPO value in Malaysia is higher compared to the BOPO value in banks in Indonesia, where the average BOPO ratio in the Malaysian banking industry is 147.97, while the average BOPO ratio in the banking industry in Indonesia is 95.00. This difference is quite significant, namely 52.97. This difference is also supported by the results of the Mann-Whitney test on the level of earnings through BOPO (operating expenses on operating income) which has a probability value of 0.018 or Sig. (2-tailed) < 0.05, thus the two sample groups have different average BOPO. So H_4 is accepted, which means there is a significant difference in the level of earnings through BOPO (operating expenses on operating income) in banks in Indonesia and Malaysia.

The BOPO ratio is a comparison between operational expenses and operating income in measuring the level of efficiency and ability of a bank in carrying out its operational activities. The smaller the BOPO ratio, the better, because the bank concerned can cover its operational expenses with its operating income (Kurniasari, 2017). So it can be said that the average level of operational expense coverage and operating income at banks cannot be balanced, this causes banking performance to be inefficient. This is also supported by research conducted by Lestari (2020) that there is a significant difference in the BOPO ratio compared to sharia banks. Malaysia and Indonesia. This is also supported by research conducted by Widyawati & Musdholifah (2018) & Hadi et al., (2019) which states that there are significant differences between the financial performance of banks in Indonesia and Malaysia.

The significant difference in results in the BOPO ratio in the two countries means that both have unequal levels of operational expenses and operating income. This can be seen from the results shown by the two countries, namely above 94 percent, where the safe BOPO ratio set by the OJK is below 94 percent. One of the reasons for the increase in BOPO in banking in Indonesia is the continued pressure on interest income due to the credit restructuring that the company is still carrying out to save MSMEs affected by Covid-19 (Perwitasari, 2020).

4.4.5. The level of liquidity through the LDR ratio in the banking industry in Indonesia is different from Malaysia

The results shown through the Mann-Whitney test at the level of liquidity via the Loan to Deposit Ratio (LDR) have a probability value of 0.120 or Sig. (2-tailed) > 0.05, thus the two sample groups have the same

average LDR. So H5 is rejected, which means there is no significant difference in the level of liquidity through the Loan to Deposit Ratio (LDR) at banks in Indonesia and Malaysia. This result is also supported by the results shown in the average value of the LDR ratio in the Indonesian banking industry, which is 87.08%, while in the Malaysian banking industry it is 90.09%. Judging from this average, Indonesian banks have a slightly lower LDR ratio, namely 3.01% compared to the LDR ratio in the banking industry in Malaysia. These results show that there is no significant difference in the LDR ratio between the two countries, namely only 3.01%. This indicates that during this period both Indonesia and Malaysia were able to provide guarantees for every deposit given by their customers and had the ability to pay all their debts, especially in the form of savings, current accounts and deposits when they were billed and could fulfill all credit requests. worthy of approval (Junaidi et al., 2019). Even though the average LDR ratio for the banking industry in Indonesia is lower than the banking industry in Malaysia, Indonesia is still able to manage financing well so that banks can fulfill all their short-term obligations (Prasetyandari & Billah, 2021).

The LDR ratio is described as the bank's ability to pay disbursement of funds from its depositors at maturity or at the time of disbursement and to be able to meet credit requests submitted by customers, meaning that the level of disbursement of funds and satisfaction of credit requests by customers have the same character (Junaidi et al., 2019). Judging from the results obtained in this research, this is supported by research conducted by Lestari (2020) which revealed that there is no significant difference in the LDR ratio between banks in Indonesia and Malaysia. These results are also supported by research conducted by (Prasetyandari & Billah, 2021). which shows that liquidity in Malaysian banks is not significantly different from banks in Indonesia, this can be seen from the results shown in this research where the LDR ratio in banks in Malaysia is 89.21 while Indonesia is 86.11, both countries are still within the safe limit set by Bank Indonesia amounting to 78 percent to 92 percent (Prasetyandari & Billah, 2021).

V. CONCLUSION & SUGGESTION

This research generally analyzes and compares and proves empirically the level of financial performance measured using the CAMEL method which includes aspects of Capital, Asset, Management, Earning, Liquidity in the banking industry in Indonesia and Malaysia and finds out which country has better financial performance. using the CAMEL method in the banking industry in Indonesia and Malaysia for the 2017-2022 period, with the following research results; a). The Capital level using the CAR ratio in the banking industry in Indonesia is significantly different from the banking industry in Malaysia for the 2017-2022 period; b). The level of assets using the KAP ratio in the banking industry in Indonesia is significantly different from the banking industry in Malaysia for the 2017-2022 period; c). Management level using the NPM ratio in the banking industry in Indonesia is not significantly different from the banking industry in Malaysia for the 2017-2022 period; d). The level of Earnings using the BOPO ratio in the banking industry in Indonesia is significantly different from the banking industry in Malaysia for the 2017-2022 period; e). Liquidity levels using the LDR ratio in the banking industry in Indonesia are not significantly different from the banking industry in Malaysia for the 2017-2022 period

The banking industry in both Indonesia and Malaysia must continue to maintain and improve each element of the ratio that is calculated by the CAMEL method in assessing financial performance in this research in order to know if there is an unfavorable situation in these ratios so that the company can overcome the problem. well and quickly. Based on the CAMEL analysis that has been carried out, there is a BOPO ratio that is still very high in both countries, where the higher the BOPO ratio in both countries means that both have an unbalanced level of operational expenses with operational income. If this condition continues to occur, it will have an impact on the company's financial performance and the company's operational continuity will be poor, therefore it is hoped that both countries in the banking industry will improve it. In an effort to improve financial performance, good management support is needed. It is necessary to improve the quality of management which is not good and must maintain existing banking management which is running well.

Even though the explanation in this research, starting from problems, research gaps, to policy implications, is considered to be quite clear, there are still limitations in this research, namely that this research only uses samples from two countries, namely Indonesia and Malaysia, so the discussion is still not extensive enough. This research only examines financial performance using the CAMEL method with 5 variables used so that the scope of explanation is still not extensive

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