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Financial health assessment of Bank Danamon using CAMEL and RGEC approaches (2020–2024)

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Abstract

This study aims to comprehensively assess the financial health of Bank Danamon during the 2020–2024 period using both the CAMEL and RGEC approaches. Employing a quantitative descriptive method, this research analyzes secondary data derived from the bank's audited financial statements, literature reviews, and relevant online sources. The CAMEL method evaluates five key aspects—Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity—while the RGEC framework adds dimensions of Risk Profile, Good Corporate Governance, Earnings, and Capital to provide a more holistic assessment. The results indicate that Bank Danamon has maintained a strong capital position and sound asset quality, reflecting its ability to manage credit risk effectively. However, the analysis also reveals challenges in operational management efficiency and profitability, as well as fluctuating liquidity levels throughout the study period. These findings suggest that while the bank remains stable and resilient, continuous improvements in governance practices, digital transformation, and cost management are necessary to enhance long-term financial sustainability. Therefore, Bank Danamon is encouraged to strengthen its management strategies, optimize operational processes, and leverage digital innovation to improve overall financial performance in alignment with regulatory expectations from the Financial Services Authority (OJK).

Keywords: bank health, Bank Danamon, financial performance, CAMEL, RGEC

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1. Introduction

Banks play a crucial role as financial intermediaries in supporting the stability of the national economy. One of the main aspects used to assess the performance and resilience of a bank is its level of soundness. The evaluation of a bank's health is not only necessary for supervisory authorities such as the Financial Services Authority (OJK), but also highly important for investors, customers, and the bank's internal management to make informed decisions (Perdana, 2023). A decline in banking performance can have serious implications for national economic stability, which makes it essential to assess bank soundness comprehensively. According to Fitria Asmawati and Setyowati (2023), at least seven key indicators are commonly analyzed in assessing a bank's soundness, including capital adequacy, asset quality, management, profitability, liquidity, and sensitivity to market risk.

The need for evaluating bank soundness has become even more critical since Indonesia experienced economic pressure due to the COVID-19 pandemic in 2020. During the 2020–2024 period, the banking

sector has faced multiple challenges such as global economic uncertainty, accelerated digital transformation, and tighter financial regulations (Komarudin, Astiti, & Mahyuddin, 2024). Bank Danamon, as one of Indonesia's major private banks, provides an important case for examining resilience and performance under these changing conditions. The assessment of bank soundness in Indonesia is guided by Bank Indonesia Regulation No. 13/1/PBI/2011, which emphasizes a qualitative evaluation based on several aspects—namely risk profile, the implementation of Good Corporate Governance (GCG), profitability, and capital adequacy that affect a bank's overall condition and performance (Bank Indonesia, 2011).

Historically, two major analytical frameworks have been employed to evaluate banking performance: the CAMEL and RGEC methods. The CAMEL method—focusing on Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity—remains one of the most widely applied approaches. The capital adequacy aspect assesses a bank's ability to meet minimum capital requirements, typically measured by the Capital Adequacy Ratio (CAR), which is calculated as the proportion of a bank's capital to its risk-weighted assets (Filania, Joula, & Dantje, 2018). Asset quality, on the other hand, reflects the soundness of a bank's earning assets, often measured by the Non-Performing Loan (NPL) ratio to determine the level of credit risk (Yunita, 2018). The management aspect evaluates the efficiency of internal operations, commonly measured by the Net Profit Margin (NPM), where a healthy bank should achieve a minimum ratio of 15% according to Bank Indonesia (Rizqi, Attamimi, & Windaningrum, 2024). Profitability, as reflected by Return on Assets (ROA) and Return on Equity (ROE), indicates the bank's capability to generate profit from its assets and shareholders' equity (Susantiaji, Nova Aulia, & Hermayanti, 2022). Lastly, liquidity demonstrates the bank's ability to meet its short-term obligations, typically assessed using the Loan to Deposit Ratio (LDR), which measures the balance between credit extended and third-party funds (Nuryani & Sudarwatini, 2019).

However, since the implementation of Bank Indonesia Regulation No. 13/1/PBI/2011, the evaluation framework has evolved toward the RGEC (Risk Profile, Good Corporate Governance, Earnings, Capital) method, which enhances the CAMEL model by incorporating a more risk-oriented and governance-based approach. The risk profile component assesses various types of risk—such as credit, market, operational, liquidity, legal, strategic, compliance, and reputational risks—using ratios like Non-Performing Finance (NPF) and Financing to Deposit Ratio (FDR) (Wahasusmiah & Watie, 2019). Good Corporate Governance (GCG) is evaluated based on the five key principles of transparency, accountability, responsibility, independence, and fairness (Limanto & Yunita, 2023), and one of the indicators used is the Net Open Position (PDN), which measures the balance between assets and liabilities. Meanwhile, the earnings aspect is evaluated through financial ratios such as ROA, ROE, and the Operating Expense to Operating Income ratio (BOPO), which reflects management efficiency (Rizqi et al., 2024; Rohimah & Mahardhika, 2022). The capital aspect, in line with OJK Regulation No. 4/POJK.03/2016, ensures that banks maintain adequate capital levels to cover their risk exposures, with the CAR serving as the primary metric (OJK, 2016; Zhafirah & Yuniningsih, 2021).

By integrating the CAMEL and RGEC frameworks, this study aims to provide a comprehensive assessment of Bank Danamon's financial health during the 2020–2024 period. The combined approach enables early identification of potential risks while offering an in-depth understanding of the bank's operational performance and governance practices. Furthermore, this research highlights how digital transformation and operational efficiency initiatives undertaken by Bank Danamon have influenced its financial indicators in recent years. The findings are expected to contribute valuable insights for regulators, investors, and bank management, as well as serve as a strategic reference for strengthening the bank's performance in alignment with OJK's policy direction in maintaining the stability of Indonesia's national banking system.

2. Research Design and Method

This study employs a descriptive quantitative research design. The purpose of this method is to develop concepts, collect data, and understand phenomena without testing specific hypotheses. Descriptive research aims to portray the actual condition of one or more variables without comparing or identifying causal relationships between them (Putri, Marsiwi, & Mustofa, 2018).

Furthermore, the descriptive quantitative approach enables a more comprehensive and in-depth implementation of the study, allowing the researcher to answer the research questions that have been formulated. The research utilizes secondary data, which consists of quantitative information collected through literature reviews, academic journals, online sources, and other relevant references related to the research topic. The quantitative data specifically include the financial statements of Bank Danamon from 2020 to 2024. The data analysis process involves comparing various bank soundness assessment methods and evaluating these financial reports using both the CAMEL (Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity) and RGEC (Risk Profile, Good Corporate Governance, Earnings, and Capital) approaches (Amelia & Aprilianti, 2019).

3. Results and Discussion

Results and Discussion on the CAMEL Method

Based on the audited financial statements, the analysis using the CAMEL method indicates that Bank Danamon's financial health between 2020 and 2024 varied across indicators. From the Capital aspect, as measured by the Capital Adequacy Ratio (CAR), and Asset Quality through the Non-Performing Loan (NPL) ratio, the bank consistently achieved a rank of 1 or a "very healthy" category. The increase in CAR demonstrates that the bank possesses a strong capital buffer to absorb potential credit losses (Jancen Roland Patty, 328157-pengaruh). Throughout the observation period, CAR remained above 20%, far exceeding Bank Indonesia's minimum requirement of 8%. The ratio increased from 25.1% in 2020 to 27.5% in 2023, reflecting stronger capital resilience, before slightly declining to 26.2% in 2024—still a safe position. This finding aligns with Hasdiana and Musdalifah (2021), who found that Indonesian banks were able to finance operations while anticipating financial risks associated with non-performing assets.

As a measure of credit risk, the NPL ratio reflects the quality of the bank's assets. A lower NPL indicates healthier asset quality and sound credit management (Barus, 2017). During 2020–2024, Bank Danamon's NPL decreased significantly and remained below 1%, well under the BI maximum threshold of 5%. This improvement was influenced by several factors, including post-pandemic business recovery, accelerated digitalization of banking services, stronger risk management, and disciplined credit collection strategies. Alvia and Nasution (2024) also found that NPL performance for Bank Danamon during 2016–2022 fell under the healthy category, supporting this result.

In contrast, the Management aspect, represented by the Net Profit Margin (NPM), placed the bank in rank 5 or the "unhealthy" category. The NPM ratio fluctuated—rising in 2020, 2021, and 2023—indicating improved asset management and operational efficiency, but declining again in 2022 and 2024. This

Table 1. Research Results Using the CAMEL Method

TA	2020	2021	2022	2023	2024	RA	PE
CAR (%)	25.1	26.7	26.3	27.5	26.2	26.36	1
NPL (%)	0.9	0.4	0.2	0.2	0.2	0.38	1
NPM (%)	6.08	9.40	19.0	18.7	16.2	13.876	5
ROA (%)	0.5	0.8	1.7	1.7	1.4	1.22	5
ROE (%)	2.7	4.1	8.3	8.3	7.1	6.1	3
LDR (%)	84.0	84.6	91.0	96.6	96.5	90.54	3

Source: Processed Data

drop may be attributed to aggressive credit expansion, causing risk-weighted assets to grow faster than capital. Consequently, Bank Danamon's profitability was less effective, as also found by Keles (2023), who observed that during 2011–2015, the NPM ratios ranged between 76.64% and 183.85%, placing the bank in a healthy category.

Regarding the Earning aspect, represented by Return on Assets (ROA) and Return on Equity (ROE), the results show moderate performance with rank 3 or "fairly healthy." ROA rose until 2022 but declined slightly in 2024, suggesting pressure on profitability, likely due to increased operational costs or narrowing interest margins. Compared to BI's minimum standard of 1.25%, ROA was low in 2020–2021, improved in 2022–2023, and slightly weakened in 2024. This differs from Alvia and Nasution (2024), who reported higher ROA levels during 2016–2021. Meanwhile, ROE increased from 2.7% in 2020 to 8.3% in 2022–2023, before dipping to 7.1% in 2024, showing better equity utilization though still below the ideal threshold (Sabra Qadrullah & Rasyid Umrie, 2015).

From the Liquidity perspective, measured through the Loan-to-Deposit Ratio (LDR), the bank obtained rank 3 or a "fairly healthy" classification. LDR rose from 84.0% in 2020 to 96.5% in 2024, showing aggressive lending amid economic recovery. Although the ratio remains within safe limits, such growth requires careful liquidity management to prevent future risks. This finding aligns with Hasdiana and Musdalifah (2021), who reported that LDR at Bank Danamon during 2014–2018 fluctuated but remained within Bank Indonesia's standards.

Overall, the CAMEL analysis shows that Bank Danamon's strengths lie in its capital and asset quality, but improvements are still needed in management efficiency, profitability, and liquidity performance.

Results and Discussion on the RGEC Method

Based on audited financial statements and evaluations using the RGEC method, Bank Danamon's overall health between 2020 and 2024 showed fluctuations across key components: risk profile, corporate governance, earnings, and capital. The Risk Profile component, as indicated by Non-Performing Financing (NPF) and Financing-to-Deposit Ratio (FDR), showed that NPF remained low and stable with an average of 2.46%, well below BI's maximum threshold of 5%. This reflects effective credit risk management and disciplined collection strategies, consistent with Soukotta, De Fretes, and Lawalata (2025). FDR, on the other hand, rose from 84.0% in 2020 to 96.5% in 2024, indicating more aggressive lending behavior. While still within acceptable limits, this high FDR must be monitored to prevent liquidity stress during periods of economic recovery.

The Good Corporate Governance (GCG) aspect, represented by the Net Open Position (PDN) ratio, averaged 1.25%, significantly below BI's maximum limit of 20%. This reflects conservative management of foreign exchange risk, maintaining business stability. However, GCG performance was categorized as "fairly healthy," slightly declining compared to 2016–2020 when it achieved a higher rating (Naibaho, Mangantar, & Saerang, 2022).

Table 2. Research Results Using the RGEC Method

TA	2020	2021	2022	2023	2024	RA	PE
NPF (%)	2.8	0.08	2.6	2.3	1.9	2.46	2
FDR (%)	84.0	84.6	91.0	96.5	96.5	90.54	3
PDN (%)	1.44	0.80	1.36	0.92	1.73	1.25	3
ROA (%)	0.5	0.8	1.7	1.7	1.4	1.22	2
ROE (%)	2.7	4.1	8.3	8.3	7.1	6.1	3
BOPO (%)	88.9	86.6	72.9	75.7	79.9	80.8	1
NIM (%)	7.4	7.5	7.7	7.7	7.0	7.46	1
CAR (%)	25.1	26.7	26.3	27.5	26.2	26.36	1

Source: Processed Data

For the Earnings component, measured by ROA, ROE, BOPO, and NIM, results indicate mixed performance. ROA fluctuated between 0.5% and 1.7%, with an average of 1.22%, suggesting moderate profitability. Compared to the 2010–2014 average of 2.97% (Dianti, 2016), current performance was weaker. ROE increased significantly from 2.7% to 8.3% in 2022–2023, signaling improved equity utilization. BOPO decreased steadily from 88.9% to 79.9%, placing it in the "very healthy" category, reflecting improved operational efficiency (Naibaho et al., 2022). Meanwhile, NIM remained strong at an average of 7.46%, classified as "very healthy," though the 2024 decline to 7.0% suggests narrowing interest margins that could affect future profitability.

From the Capital aspect, the CAR ratio consistently exceeded BI's minimum of 8%, ranging between 25% and 27%. This indicates solid capital adequacy to absorb potential losses and support business growth. The ratio aligns with the 2016–2020 average CAR of 22.88%, reinforcing the bank's strong capital management and compliance with OJK and Basel III regulations.

In conclusion, the RGEC analysis shows that Bank Danamon remains strong in capital and asset quality but needs to enhance risk management, profitability, and liquidity. Although efficiency and profit levels have improved, careful liquidity oversight is required to ensure sustainable growth and overall financial stability.

4. Conclusions

Based on the analysis conducted using the CAMEL and RGEC approaches on Bank Danamon's financial performance during the 2020–2024 period, it can be concluded that the bank demonstrates a generally stable and healthy condition, although several areas still require further improvement. In terms of capital adequacy and asset quality, Bank Danamon consistently achieved strong results, as reflected by its CAR and NPL ratios that remained well above the regulatory minimum standards. This indicates the bank's ability to maintain a solid capital structure and manage credit risk effectively.

However, the evaluation of management performance through the NPM ratio reveals challenges related to operational efficiency and profitability achievement. Over the five-year observation period, the NPM ratio placed the bank in the unhealthy category, suggesting that managerial effectiveness and cost control strategies have not been fully optimized.

Regarding profitability, the ROA showed an improving trend and remained within a healthy category, indicating effective asset utilization to generate profit. In contrast, the ROE fell into a fairly healthy category, implying that the efficiency of capital utilization in generating returns still needs to be strengthened. From the liquidity perspective, the LDR ratio suggests that Bank Danamon is able to meet its short-term obligations, although its liquidity position remains moderately healthy and could be further enhanced.

The RGEC analysis supports these findings, highlighting strong results in capital adequacy and operational efficiency (as indicated by healthy BOPO and NIM ratios). Nonetheless, improvements are required in risk profile and corporate governance, particularly due to the declining GCG score and increasing FDR ratio, which signal challenges in risk and financing management.

Overall, Bank Danamon remains in a relatively stable and healthy financial position across fundamental aspects, yet continuous improvements in management quality, income strategy, and operational efficiency are essential to ensure stronger competitiveness and long-term sustainability.

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