ABSTRACT

This study aims to analyze and provide empirical evidence regarding the effect of CAMEL ratios on the probability of Financial Distress in Rural Economy Banks in Central Java Province. The population of this study comprises all Rural Banks in Central Java that published complete financial statements through the Financial Services Authority Otoritas Jasa Keuangan (OJK) during the 2022–2025 period. The sample was selected using a purposive sampling method based on predetermined criteria, resulting in 952 observations that were free from extreme deviance residual values. Data were analyzed using logistic regression, with Financial Distress as the dependent variable and CAMEL ratios proxied by Capital Adequacy Ratio (CAR), Non-Performing Loan (NPL), Operating Expenses to Operating Income (BOPO), Return On Assets (ROA), and Loan to Deposit Ratio (LDR) as the independent variables. The results indicate that CAR and ROA have a negative effect on the probability of Financial Distress. These findings suggest that higher levels of capital adequacy and profitability reduce the likelihood of Financial Distress. Meanwhile, NPL, BOPO, and LDR are not found to have a significant effect on the probability of Financial Distress among Rural Banks in Central Java Province.

Keywords: Financial Distress, CAR, NPL, BOPO, ROA, LDR