

CAMEL Analysis on Performance of ASEAN Public Listed Banks

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Received: February 7, 2018

Accepted: March 2, 2018

Online Published: March 12, 2018

doi:10.5539/ibr.v11n4p96

URL: <https://doi.org/10.5539/ibr.v11n4p96>

Abstract

The study is conducted to measure the performance of public listed banks in five ASEAN countries. This study covers 63 public listed banks from Malaysia, Singapore, Thailand, and the Philippines over the period of 1997 to 2011. The CAMEL analysis which is based on Capital Adequacy, Asset Quality, Management Efficiency, Earning Quality, and Liquidity is employed in this study. The objectives of the study are to measure the performance of public listed banks as well as to compare the performance across countries. The results of the CAMEL analysis show that Singaporean public listed banks are the top performer as compared to their counterparts. Next, the comprehensive results reveal that Public Bank in Malaysia, United Overseas Bank in Singapore, Bank ArthaGraha in Indonesia, Bank of Ayudhya in Thailand and Union Bank of the Philippines are the top performed banks.

Keywords: CAMEL, financial ratios, banking, ASEAN

1. Introduction

Governor of Central Bank Malaysia has encouraged ASEAN for moving closer towards the regional integration among countries to become a single regional common market by the year of 2015 under the ASEAN Economic Community (AEC)¹. The ASEAN banks play an important role to support and foster the financial integration in this region, such as in mobilizing, allocating, and investing the savings of the society. The strong growth of ASEAN financial institutions are driven by the development of business fundamental and the increasing competitiveness of financial institutions in this region. Therefore, the ASEAN banking contributes a large part to the regional integration as it increases the corporation among ASEAN countries especially in the financial perspective. Hence, it is essential to have a comprehensive insight on the performance of banking industry as the bank performance has a significant influence on the investment, firm, growth, industrial expansion, and economic development of a country.

Concerning the banking reform history and the recent banking integration, this provides a unique feature to the ASEAN banking market for this study to embark upon the issue of ASEAN banking performance. In addition, ASEAN countries are also moving toward to strengthen their economic and financial ties. According to Phar (2010), the emerging economies in ASEAN countries will attract global investment banks to strengthen their financial position in this region. Besides, the ASEAN banking performance is relatively important in this region in order to attract international and domestic investors to invest in their institutions. Therefore, this study provides important information to understand the performance and efficiency of banking industry in particular, the ASEAN region with the increasing of contestable international market.

In conjunction to that, this study attempts to evaluate the performance of public listed banks in ASEAN region, specifically by in five major ASEAN nations, namely Malaysia, Singapore, Thailand, Indonesia, and the Philippines, which are also known as ASEAN-5. Being among the fast growing emerging countries and share similar social and economics characteristics (Echchabi,A. 2013), these countries are chosen for this study. Despite the fact that the development of financial sector is the key sector to ensure sustain economic growth in

¹AEC envisages the key characteristics such as a single market and production base, a highly competitive economic region, a region of equitable economic development, and a region fully integrated into the global economy.