

# Bankruptcy Prediction Model of Banks in Indonesia Based on Capital Adequacy Ratio

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## Abstract

**Objective** - The purpose of this study is to examine the influence of capital on bankruptcy banks. The hypothesis of this research is that capital has an effect on the bankruptcy of a bank.

**Methodology/Technique** - This research examines financial reports between 2005-2014. An econometric model with a logistical regression analysis technique is used. In this study, capital is measured by CAR, taking into account credit risk; CAR by taking into account market risk; Ratio of Obligation to Provide Minimum Capital for Credit Risk and Operational Risk; Ratio of Minimum Capital Adequacy Ratio for Credit Risk, Operational Risk and Market Risk; Capital Adequacy Requirements (CAR).

**Findings** - The results show that the capital adequacy ratio for market ratio and capital adequacy ratio for credit ratio and operational ratio support the research hypothesis and can form a logit model. The test results of CAR by taking into account credit risk, Minimum Capital Requirement Ratio for Credit Risk, Operational Risk and Market Risk and Minimum Capital Provision Obligations do not support the research hypothesis.

**Novelty** – This paper contribute to bank bankruptcy prediction models based on time dimension and bank groups using financial ratios which are expected can influence bank in bankrupt condition.

**Type of Paper** - Empirical.

**Keywords:** Banking crisis, Cost of bankruptcy, Adequacy Ratio, Financial ratios, Prediction models

**JEL Classification:** G32, G33, G39.

**DOI:** [https://doi.org/10.35609/jfbr.2019.4.1\(2\)](https://doi.org/10.35609/jfbr.2019.4.1(2))

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On Mon, Feb 25, 2019 at 7:05 PM Lis Sintha <lis.sintha@gmail.com> wrote:

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Dear Guest,

We have received the revised paper and forms, we will let you know if any further development required. Please note that the paper is scheduled to be published online in March 2019 issue. We will keep you update.

We appreciate your contribution and wish you can join us again in next GCBSS conferences.

Thank you

Best regards,  
GCBSS Committee

On Mon, Feb 25, 2019 at 11:19 PM Lis Sintha <lis.sintha@gmail.com> wrote:

Thank you for your response. Thank you for the update. Noted with thanks.

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**Lis Sintha** <lis.sintha@gmail.com> to lis\_sintha, lis.shinta Sun, Mar 24, 2019, 7:38 PM

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JFBR front cover 4(1) Jan-Mar 2019

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