

Comparative Analysis of Bank Soundness Levels Using the RGEC Method at PT. Bank Muamalat and PT. Indonesian Sharia Bank

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Comparison between the health levels of Bank Muamalat , a national private bank, and Bank Syariah Indonesia, a state-owned enterprise, is based on their published 2022 annual financial statements. This study aims to assess the financial health of both banks and compare their health levels using the RGEC method (Risk Profile, Good Corporate Governance, Earnings, and Capital). The research employs a quantitative approach with a comparative field research type, focusing on financial health by analyzing financial performance in 2022 through the RGEC method. This study uses secondary data sourced from the 2022 annual reports of both banks, published by the Financial Services Authority (OJK). The findings indicate that Bank Muamalat performed well in liquidity and capital but needs improvement in profitability, particularly in return on assets. The composite rating for Bank Muamalat in 2022 was 68.57%, placing it in the PK-3 category, meaning it is 'Quite Healthy.' Bank Syariah Indonesia exhibited excellent performance in risk profile, capital, and operating margins. Its composite rating in 2022 was 74.28%, classifying it under the PK-2 category, meaning it is 'Healthy.' The different composite rankings suggest variations in financial health between the two banks. Future research is recommended to incorporate additional assessment factors and continue using the RGEC method to provide a more comprehensive evaluation of bank health.

1. Introduction

Financial institutions that are essential for facilitating financial transactions are known as banks. In Indonesia, banks are categorized into several types based on function, ownership, status, pricing policies, and scale (Ismail, 2018). A government-owned bank, commonly referred to as a state-owned bank, is an institution owned and established by the government. Initially, all of its shares are held by the government, represented by the Minister of State-Owned Enterprises (Kasmir, 2014).

A national private bank is another type of bank based on ownership, distinct from government banks. A national private bank is founded by private individuals or institutions, meaning that all profits are enjoyed by the private sector. Conversely, if the bank experiences financial losses, the private sector bears the risk (Ismail, 2018).

The development of Islamic banks in several Islamic countries has influenced Indonesia. In the early 1980s, discussions about Islamic banking as a pillar of the Islamic economy emerged. Scholars at the time attempted to establish an interest-free bank,

but their efforts were hindered by the lack of legal frameworks, except for setting interest rates at 0% (Antonio, 2001). A more concrete effort to establish an Islamic bank in Indonesia took place in 1990. The Indonesian Ulema Council (MUI) initiated the formation of a working group to establish an Islamic bank during the National Conference of the Indonesian Ulema Council on August 22-25, 1990, in Jakarta (Kucoro & Suhardjoo, 2019). As a result, Bank Muamalat Indonesia, the country's first Islamic commercial bank, was founded. It officially began operations on May 1, 1992 (Ascarya, 2014).

Bank Syariah Indonesia (BSI) was established through the merger of PT Bank BRISyariah Tbk, PT Bank Syariah Mandiri, and PT Bank BNI Syariah. The Financial Services Authority (OJK) officially approved the merger on January 27, 2021, through letter number SR-3/PB.1/2021. This merger combined the strengths of the three Islamic banks, resulting in more comprehensive services, a wider reach, and stronger capital capacity (OJK, 2021). Supported by corporate synergy and the government's commitment through the Ministry of State-Owned Enterprises, BSI aims

to become a leading Islamic bank in Indonesia. It is expected to serve as a new driving force for national economic development and contribute to public welfare (Ministry of State-Owned Enterprises, 2021).

2. Literature review

2.1 Islamic Bank

Islamic banks are financial institutions that facilitate economic activities in the real sector through business operations such as investment, trade, and other transactions based on sharia principles. These principles refer to contractual agreements based on Islamic law between banks and other parties for fund storage and/or the financing of business or other activities in accordance with both macro and micro sharia values (Ascarya, 2008).

Islamic banks operate in compliance with Islamic law, meaning they do not charge or pay interest to customers. Instead, the returns received by Islamic banks or paid to customers depend on agreements and contracts between the banks and their clients. The agreements (**akad**) in Islamic banking must adhere to the terms and conditions outlined in Islamic sharia law (Ismail, 2017).

2.2 Financial Reports

Financial reports are statements that present a company's financial condition at a specific point in time or over a certain period (Kasmir, 2010). The purpose of financial reports is to provide an overview of the company's financial status, which may include its balance sheet (showing financial position at a given date) and income statement (showing financial performance over a specific period). Typically, financial reports are prepared periodically, such as quarterly or semi-annually for internal purposes. However, broader financial reports are generally published annually. The essence of financial reporting is to present financial data that reflects the company's performance within a given period.

2.3 Bank Health

Bank performance is a measure of success for a bank's management. If a bank performs poorly, its directors may be replaced. Performance evaluation serves as a guideline for identifying areas that need improvement and determining the appropriate corrective measures. Just like individuals, banks as financial institutions also need to have their health assessed. The purpose of this assessment is to determine whether a bank is in a healthy, less healthy, or potentially problematic condition.

If a bank is deemed healthy, maintaining its stability is crucial. However, if a bank is found to be unhealthy, immediate corrective actions must be taken. Ultimately, assessing a bank's health helps determine its overall performance. Various methods can be used to evaluate a bank's financial health. These assessments directly impact a bank's financial stability and influence customer trust and loyalty (Kasmi, 2010).

2.4 Concept of Bank Soundness

Bank soundness is a crucial indicator in assessing the performance and stability of financial institutions. A sound bank can operate efficiently, maintain customer trust, and support economic growth. According to Kasmir (2016), bank soundness can be measured using various methods, one of which is the RGEC method (Risk Profile, Good Corporate Governance, Earnings, and Capital). Bank Indonesia also regulates bank soundness assessment standards through Bank Indonesia Regulation No. 13/1/PBI/2011.

2.5 RGEC Method in Bank Soundness Assessment

The RGEC method is used to measure bank soundness based on four key components:

- **Risk Profile:** Measures the level of risk faced by the bank, such as credit risk and market risk.
- **Good Corporate Governance (GCG):** Assesses the bank's compliance with good corporate governance principles.

- **Earnings:** Evaluates bank profitability through indicators such as Return on Assets (ROA) and Net Interest Margin (NIM).
- **Capital:** Measures the bank's capital adequacy to cover existing risks, such as the Capital Adequacy Ratio (CAR).

According to Darmadji and Fakhruddin (2011), the RGEC method is considered more comprehensive than the CAMELS method because it includes managerial aspects in bank assessments.

2.5 Comparison of Bank Muamalat and BSI Performance Based on the RGEC Method

Several studies have compared the performance of Islamic banks in Indonesia using the RGEC method. For instance, research by Sari and Wicaksono (2021) shows that BSI has a higher composite score than Bank Muamalat, particularly in terms of profitability and risk management. Meanwhile, a study by Ramadhan (2022) highlights that Bank Muamalat has stronger liquidity but needs to improve operational efficiency.

3. Research Methods

The research method used in this study is a quantitative research method. This research falls under the category of field research with a comparative approach. Comparative research aims to compare one sample with another, whether they are independent (unrelated) samples or paired samples.

4. Results and Discussion

4.1 Health Level of PT. Bank Muamalat with RGEC method in 2022

a. Profile Risk

Non Performing Loan, Ratio value financing troubled Bank Muamalat For 2022 can counted as following :

$$NPL = \frac{\text{Pembiayaan Bermasalah}}{\text{Total Pembiayaan}} \times 100\%$$

$$NPL = \frac{1.066.842}{18.822.000} \times 100\%$$

$$NPL = 5.66\%$$

Loan Deposit Ratio. For know mark LDR/FDR ratio at Bank Muamalat in 2022 then done calculation use formula below This .

$$LDR = \frac{\text{Total Pembiayaan}}{\text{Dana Pihak Ketiga}} \times 100\%$$

$$LDR = \frac{18.822.000}{61.363.584} \times 100\%$$

$$LDR = 40.79\%$$

b. Earning

Return on Assets (ROA) is the ratio that shows how much effective bank in to obtain profit from the assets owned with share profit clean before tax with total assets .

$$ROA = \frac{\text{Laba Bersih Sebelum Pajak}}{\text{Total Aset}} \times 100\%$$

$$ROA = \frac{52.000}{61.363.584} \times 100\%$$

$$ROA = 0.08\%$$

Net Interest Margin / Net Operating Margin ratio income flower net / income operational to total assets productive . The more big mark The NIM/NOM ratio shows that possibility of bank in condition problematic the more small .

$$NIM = \frac{\text{Pendapatan Operasional}}{\text{Total Aset Produktif}} \times 100\%$$

$$NIM = \frac{1.282.000}{5.113.632} \times 100\%$$

$$NIM = 25.07\%$$

c. Capital

Capital Adequacy Ratio (CAR) is ratio demonstrated capital adequacy ability banking in provide the funds used For overcome possibility risk loss .

$$CAR = \frac{\text{Modal}}{\text{ATMR}} \times 100\%$$

$$CAR = \frac{6.972.497}{21.322.781} \times 100\%$$

$$CAR = 32.69\%$$

Component Factor	Ratio	% Ratio
Profile Risk (<i>Risk Profile</i>)	NPL/NPF	5.66%
	LDR/FDR	40.79%
Profitability (<i>Earnings</i>)	ROA	0.08%
	NUMBER/NIM	25.07%
Capital	CAR	32.69%

Based on the table above, the % value of the financial ratio that will be used to assess the health level of the bank at Bank Muamalat in 2022 can be seen. The % ratio results obtained are in the *risk profile component*, NPL/NPF of 5.66 % and LDR/FDR of 40.79%. In the *earning component*, the ratios used are ROA and NOM/NIM with values obtained of 0.08% and 25.07 % respectively.

In 2022, Bank Muamalat Indonesia conducted a self-assessment of GCG implementation individually and consolidated with the assessment results at a rating of 2 (two) which reflects that the Bank's management has implemented *Good Corporate Governance which is generally good. This is reflected in the implementation of adequate Good Corporate Governance principles.* Although there are still weaknesses in the implementation of *Good Corporate Governance principles*, in general these weaknesses are not significant and can be resolved with normal actions by the Bank's management. Bank Muamalat's *Capital Adequacy Ratio (CAR)* Value in 2022 by 32.69%.

4.2 Health Level of PT Bank Syariah Idomesia with RGEC Method in 2022

a. Profile risk

Non Performing Loan is the ratio that shows level bank's ability in manage financing problematic . The more low NPL/NPF values show the more small risk financing covered by the bank .

$$NPL = \frac{\text{Pembiayaan Bermasalah}}{\text{Total Pembiayaan}} \times 100\%$$

$$NPL = \frac{2.831.401}{207.704.856} \times 100\%$$

$$NPL = 1.36\%$$

Loan Deposit Ratio (LDR/FDR) is ratio used in measure comparison of total financing provided by the bank to funds received by the bank. For know mark LDR/FDR ratio at Bank Muamalat in 2022 then done calculation use formula below This .

$$LDR = \frac{\text{Total Pembiayaan}}{\text{Dana Pihak Ketiga}} \times 100\%$$

$$LDR = \frac{207.704.856}{261.490.981} \times 100\%$$

$$LDR = 79.43\%$$

b. Earning

Return on Assets (ROA) is the ratio that shows how much effective bank in to obtain profit from the assets owned with share profit clean before tax with total assets .

$$ROA = \frac{\text{Laba Bersih Sebelum Pajak}}{\text{Total Aset}} \times 100\%$$

$$ROA = \frac{5.656.208}{305.727.438} \times 100\%$$

$$ROA = 1.85\%$$

Net Interest Margin/Net Operating Margin ratio income flower net/income operational to total assets productive. The more big mark The NIM/NOM ratio shows that possibility of bank in condition problematic the more small.

$$NIM = \frac{\text{Pendapatan Operasional}}{\text{Total Aset Produktif}} \times 100\%$$

$$NIM = \frac{15.551.544}{25.477.286} \times 100\%$$

$$NIM = 61.04\%$$

c. Capital

Capital Adequacy Ratio (CAR) is ratio demonstrated capital adequacy ability banking in provide the funds used For overcome possibility risk loss .

$$\text{CAR} = \frac{\text{Modal}}{\text{ATMR}} \times 100\%$$

$$\text{CAR} = \frac{33.109.949}{163.157.803} \times 100\%$$

$$\text{CAR} = 20.29\%$$

Component Factor	Ratio	% Ratio
Profile Risk (Risk Profile)	NPL/NPF	1.36 %
	LDR/FDR	79.43%
Profitability (Earnings)	ROA	1.85%
	NUMBER/NIM	61.04 %
Capital	CAR	20.29 %

Based on the table above, can know % ratio value finances that will used For do evaluation level Bank health at Bank Syariah Indonesia in 2022. The results of the % ratio obtained namely on the components *risk profile*, NPL/NPF of 1.36% and LDR/FDR of 79.43%. In the components *earning*, the ratio used namely ROA and NOM/NIM with the values obtained were 1.85 % and 61.04% respectively.

Self assessment results published in a way general by Bank Syariah Indonesia so that it can seen by the public general. The results of the GCG assessment for semester 1 of 2022 received score 2 (good). Meanwhile that, the result GCG assessment for semester 2 of 2022 received score 2 (good) stable compared to Semester I assessment in 2022.

4.3 Difference in Health Level of PT. Bank Muamalat and PT Bank Syariah Indonesia with RGEK method in 2022

There is difference level health between PT Bank Muamalat and PT Bank Syariah Indonesia in 2022 with use RGEK method. On the factor *risk profile* value percentage NPL/NPF ratio of Bank Muamalat is 5.66% while at Bank Syariah Indonesia it is 1.36 %. The LDR/FDR ratio of Bank Muamalat and Bank Syariah Indonesia is 40.79 each . % and 79.43 %. Difference from side profitability, ROA value of Bank Muamalat is 0.08%, more low from The ROA value of Bank Syariah Indonesia is 1.85 %. NOM/NIM of Bank Muamalat is 25.07 % and Bank Syariah Indonesia amounted to 61.04 %.

Good Corporate Governance (GCG) factors are obtained from results report implementation of GCG PT. Bank Muamalat and PT. Bank Syariah Indonesia in 2022. In OJK Circular Letter Number 10/SEOJK.03/2014, the explanation in letter circular the explain ensure implementing the 5 (five) principles of GCG for Islamic General Banks is required do evaluation yourself (*self assessment*) periodic on implementation of good bank governance. In effort evaluation self assessment and improvement GCG implementation is carried out with compile analysis adequacy and effectiveness implementation GCG principles in paper Work evaluation Alone.

The results of the GCG assessment of these two banks For 2022 both is in 2nd place with predicate good. There is difference from the party that does GCG assessment, namely at Bank Syariah Indonesia, does not only do *self-assessment* of implementation of GCG but also carried out assessment by the parties external (ICG).

Muamalat's CAR value is 32.69 % whereas Bank Syariah Indonesia's CAR value is 20.29 %.

5 Closing

5.1 Conclusion

1. Bank Muamalat's health level in 2022, after being analyzed using the RGEK method, shows excellent performance in liquidity and capitalization. However, profitability still needs improvement, especially in terms of return on assets. Overall, the bank is considered mostly healthy, but profitability remains a key area of concern. The final composite score calculation results in a value of 68.57%, placing Bank Muamalat in Composite Rating 3 with a "Fairly Healthy" category in 2022.
2. The health level of Bank Syariah Indonesia in 2022, after being analyzed using the RGEK method, shows excellent performance in risk profile and capitalization, as well as strong financial performance in operating margins. Although overall profitability is rated moderately healthy, this still indicates that Bank Syariah Indonesia's financial performance falls within the "Healthy"

category. However, improvements in profitability aspects could further enhance the bank's financial performance. The final composite score calculation results in a value of 74.28%, placing Bank Syariah Indonesia in Composite Rating 2 with a "Healthy" category in 2022.

3. The comparison of the health levels of Bank Muamalat and Bank Syariah Indonesia, analyzed using the RGEC method in 2022, is based on their composite rating results. The composite score of Bank Syariah Indonesia is higher than that of Bank Muamalat. Thus, based on the bank health assessment using the RGEC method applied in this study, Bank Syariah Indonesia's financial performance is considered healthier than that of Bank Muamalat in 2022.

5.2 Suggestion

- 1 Recommended for Bank Muamalat and Bank Syariah Indonesia can increase ranking health become more good to be able to maintain trust public against the bank. There is results evaluation in category Enough healthy, for that's what we recommend to do improvement bank quality.
- 2 For researcher next , can make study This as reference and recommended For use RGEC method in analyze level bank health as guidelines evaluation level the health of the bank at the moment This applies. There is a number of factor assessment that has not been conducted in research Here , we suggest that factors the assessment in question can be developed.

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