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AL-AMWAL

Assessing the Health Level of Islamic Commercial Banks for the Period 2018-2022: RGEC Analysis

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Abstract

Public perception of the stability and reliability of a bank is strongly influenced by various indicators of bank health, which in turn will affect their decision to choose the bank. This study aims to analyze the health level of Islamic Commercial Banks in Indonesia during 2018-2022 with the RGEC approach. The research method uses quantitative descriptive techniques on secondary data from financial statements and GCG reports from Islamic Commercial Banks between 2018 and 2022. The findings of this study reveal that overall the Islamic Commercial Bank is at PK-3 with a fairly good predicate. The risk profile component was evaluated, as measured by the NPF and FDR ratios obtained PK-2 with a healthy predicate. The Good Corporate Governance (GCG) component, evaluated through self-assessment analysis obtained PK-2 with a healthy predicate. In the earnings aspect, which is measured through the return on assets (ROA) ratio, obtaining PK-3 is quite healthy. However, the Operating Cost-Operating Income (BOPO) ratio is categorized as unhealthy with PK-5. Meanwhile, the assessment of the capital component received PK-1 with a very healthy predicate.
Keywords*: Bank health level, RGEC, Islamic Commercial Bank*

Abstrak

Persepsi masyarakat terhadap stabilitas dan keandalan suatu bank sangat dipengaruhi oleh berbagai indikator kesehatan bank, yang pada akhirnya akan memengaruhi keputusan mereka dalam memilih bank tersebut. Penelitian ini bertujuan untuk menganalisis tingkat kesehatan Bank Umum Syariah di Indonesia selama periode 2018-2022 dengan pendekatan RGEC. Metode penelitian menggunakan teknik deskriptif kuantitatif

terhadap data sekunder dari laporan keuangan dan laporan GCG dari Bank Umum Syariah periode 2018-2022. Temuan dari penelitian ini mengungkapkan bahwa secara keseluruhan Bank Umum Syariah berada pada PK-3 dengan predikat cukup baik. Evaluasi pada komponen risk profile yang diukur melalui rasio NPD dan FDR memperoleh PK-2 dengan predikat sehat. Komponen Good Corporate Governance (GCG) melalui analisis self-assessment mendapatkan PK-2 dengan predikat sehat. Pada aspek earnings, yang diukur melalui rasio return on assets (ROA), memperoleh PK-3 cukup sehat. Namun, untuk rasio Biaya Operasional Pendapatan Operasional (BOPO) dikategorikan tidak sehat dengan PK-5. Sementara itu, penilaian pada komponen capital mendapatkan PK-1 dengan predikat sangat sehat.
Kata kunci: *Tingkat kesehatan bank, RGEC, Bank Umum Syariah*

INTRODUCTION

Islamic banks are financial institutions that adhere to Sharia principles, offering credit and various services related to payment transactions and money circulation (Sudarsono, 2015). Based on statistical data, Islamic banking grows in terms of assets, customers, and institutions every year. This achievement indicates that Indonesian Islamic banking can offer competitive strengths surpass traditional banks and withstand economic downturns. This suggests that Sharia principles based on justice, transparency, and benefit have attracted people who are increasingly aware of the importance of these values.

The growth of Islamic banking is expected to be threatened by a recession in 2023. Although Islamic banking has grown consistently and has a market share of more than 7% of the national banking industry, customer enthusiasm for productive financing in the Islamic banking sector, including the understanding of digital literacy, needs to be improved to realize an inclusive digital transformation of Islamic finance (Haryono, 2022). While this growth is expected to continue until 2023, a recession could hinder this growth. According to the World Bank, a worldwide economic decline will occur in 2023. In its report, "Is a Global Recession Imminent?" Several signs have already begun to emerge that support this prognosis, including central bank policies around the world aggressively raising benchmark interest rates to bring down economic overheating (Guenette et al., 2023).

Following the definition given by the National Bureau of Economic Research (NBER, 2010) a recession is characterized by a substantial decline in economic activity that is widespread across the country and lasts more than a short duration. This is typically seen in gross domestic product (GDP) growth, real personal income, employment, industrial production, and wholesale and retail sales. Various complex factors influence the current recession. These range from external shocks such as the Ukraine-Russia war, to internal policies such as monetary tightening. The sharp increase in food and energy prices, particularly in the United States and Europe, has significant rise in inflation. On the other hand, rapid technological development, while potentially improving long-term productivity, can also trigger economic disruption in the short term (Rianda, 2023).

The effects of a recession result in a simultaneous decline in economic activity, including business opportunities, capital investment, stock prices, and industrial surplus (Rianda, 2023). The threat of recession can be a challenge for the financial industry sector, especially Islamic banking. This will significantly affect the bank's customer financing system because of the various issues it creates. Based on research (Ririn Riani & Ries Wulandari, 2022) the total financing of Islamic banks in Indonesia experienced significant changes before and after the economic recession that hit Indonesia. Unpredictable market conditions increase the risks associated with Islamic banking, which can reduce asset quality and bank profitability, thus affecting the health level of Islamic banks (Effendi, Bahtiar, 2023).

According to Effendi & Windiarko (2023) the level of preparation of Islamic banks in facing the 2023 recession such as the expansion of the Islamic banking industry and the Indonesian economy continues to expand quickly. Islamic banks can avoid the shock of the 2023 recession seeing the development of the Islamic banking industry grow by 5% in the third quarter of 2022. In such a situation, Islamic banks must maintain the precautionary principle when providing financing applications to customers. The precautionary principle is very important for Islamic banks today. To maintain financial stability, especially in uncertain economic conditions, banks need to be selective and careful by setting several conditions for prospective debtors (Effendi, Bahtiar, 2023). The presence of OJK as an Islamic banking regulator is also an important part of the formation of regulatory policies that will protect Islamic banking from economic downturns during recessions (Hussain et al., 2014).

LITERATURE REVIEW

Islamic Bank

By the principles outlined in the Qur'an and Hadith, Islamic banks are financial institutions that play an important role in the distribution of funds to the community through financing schemes or other means with the main objective of improving the welfare of the wider community (Prof. Dr. H. Amri Amir, SE., 2017). According to Law Number 21 of 2008 on Islamic banking, Islamic banks are financial institutions that operate per Sharia principles and are classified into two main categories, Islamic commercial banks and Islamic rural banks. The main basis for the operational activities of Islamic banks applies a profit-sharing system and stays away from interest systems, premises, and doubts (Prastiwi et al., 2021). Islamic banks have a main role, namely as a business entity (Tamil) that carries out the role of a commercial entity and a social entity (maal) that functions as a distribution of qardhul hasan (charitable loans) and collects social funds and distributes zakat, infaq, and sadaqah (ZIS) (Amirillah, 2014).

The growth potential of Islamic banking in Indonesia is huge, mainly supported by the majority Muslim population and their awareness of the importance of Sharia-compliant financial transactions. This makes Islamic banking one of the most promising sectors in Indonesia (Nurlani, 2022). Tight competition in the Islamic banking sector currently demands high professionalism, in this case, Islamic banks must be able to transform quickly and adaptively. The inability of banks to adapt to changes in the business environment can be fatal to the sustainability of the Islamic banking business. Therefore, to anticipate various threats, it is necessary to identify and manage risk and to evaluate the bank's health condition periodically (Payabadar & Thamrin, 2022).

Bank Health

Level Bank health reflects the condition of a financial institution to carry out functional banking activities regularly and carry out all its responsibilities under the provisions of written banking regulations(Triandaru & Budisantoso, 2006). Parties can use a bank's situation as an indicator to examine the bank's performance in implementing prudential standards, consistency with relevant guidelines, ongoing regulations, and risk management. A consistent evaluation system of bank soundness is harmonized to more accurately state the true state of the bank, either now or in the future, given the ever-changing state of the bank. The results of an assessment of the bank's condition can be the basis for the bank to design a business plan for the coming period (Zainuddin & Djaelani, 2018).

RGEC Analysis

Bank Indonesia sets general regulations connected to bank health conditions through PBI regulation No.6/10/PBI/2004, applying the CAMELS method (Capital, Assets Quality, Management, Earnings, Liquidity & sensitivity to market risk). However, the CAMELS method has limitations in providing a comprehensive assessment of bank performance because each element equips a different conclusion. (Listriyani et al, 2024). Therefore, Bank Indonesia harmonized the approach to evaluating bank health from CAMELS to RBBR ((Risk-Based Bank Rating)) which combines Risk Profile, Good Corporate Governance, and Earning, Capital (RGEC) factors. By the regulation (SEOJK No. 10/SEOJK.03/2014) regarding the assessment of the health level of BUS and UUS, the evaluation of the health level of banks individually includes an assessment of the risk profile, Good Corporate Governance, earnings, and capital factors (Peraturan Otoritas Jasa Keuangan, 2014).

The RGEC approach is a bank health analysis procedure that prioritizes risk, proportionality, income, comprehensiveness, and system aspects. The application of the RGEC method allows regulators to conduct more effective supervision it delivers an early warning system for potential problems that could threaten the stability of the financial system. Effective management positively impacts earnings and funding factors, directly by improving operational efficiency and productivity and indirectly through increased investor and creditor confidence which can support better access to financial resources. Thus, a bank can be considered a healthy bank without harming stakeholders (Riza et al., 2020).

1. **Risk Profile**

The risk profile is a representation of the risks faced by a bank and has a significant impact on financial aspects. Risk profile assessment is essential in the banking industry to minimize potential losses because the challenges and risks are very high (Gultom & Siregar, 2022). Risk profile evaluation involves a thorough examination of two main aspects, namely, the risks inherent in the bank's operations and the quality of risk management implementation in the bank's operations conducted through credit risk, market risk, liquidity risk, operational risk, legal risk, strategic risk, compliance risk, and reputation risk. Ratio analysis in the context of the bank's risk profile consists of two main parts, namely the ratio of the bank's ability to maintain loan quality (Non-Performance Financing-NPF) and the ratio of the bank's capacity when managing deposit funds intended in the form of financing (Financing Deposit Ratio-FDR) (Zainuddin & Djaelani, 2018).

   a. NPF (Non-Performance Financing)

   The NPF ratio is an indicator used to assess the percentage of problem financing in a bank's portfolio. An increase in the NPF ratio indicates a higher level of credit risk for the bank (Pravasanti, 2018). Conversely, a decline in the NPF ratio indicates better asset quality for the bank. NPF measurement formula:

$$\text{NPF} = \frac{Pembiaayan\ Bermasalah}{Total\ Pembiaayan}\ x100\%$$

   b. FDR (Financing to Deposit Ratio) FDR is a ratio that describes the proportion of loan disbursements to funds raised by banks, both in foreign currency and rupiah measures such as demand deposits, savings, and deposits (Samanto & Hidayah, 2020). The FDR ratio considers the bank's capacity to repay assets withdrawn by depositors and take responsibility for loans provided as a source of liquidity. A higher FDR indicates lower liquidity. FDR measurement formula:

$$\text{FDR} = \frac{Total\ Pembiayaan}{Total\ Dana\ Pihak\ Ketiga}x100\%$$

2. **Good Corporate Governance (GCG)**

Good corporate governance (GCG) is a method of procedures that structure the company's operations to generate benefits for interested parties. GCG offers a framework that guarantees business decisions are made with transparency and accountability. Evaluating a bank's GCG implementation involves a thorough and organized assessment of various elements, including organizational structure, decision-making processes, internal control systems, and the governance outcomes achieved. This is in line with Bank Indonesia Regulation No. 13/1/PBI/2011 Article 7 paragraph 2, the evaluation of bank management is based on the principles of openness, responsibility, responsibility, sovereignty, and propriety (PBI, 2011).

3. **Earnings**

Earnings are an aspect of a bank's performance evaluation that focuses on its profit-making capacity and the accuracy of its financial targets. The evaluation process involves an in-depth analysis of various factors, including trends, systems, and consistency of the bank's profitability, along with the scale of performance that can be measured through peer group comparisons. This evaluation covers both quantitative and qualitative aspects to provide a more complete picture (Zainuddin & Djaelani, 2018).

a. ROA (Return on Asset)

ROA is used to evaluate a company's capability to maximize profits from its assets. This ratio indicates how effectively the bank manages and controls its assets. A high ROA value indicates a good level of productivity in controlling assets (Sutrisno, 2018). ROA measurement formula:

$$\text{ROA} = \frac{laba\ Sebelum\ Pajak}{Rata-rata\ Total\ Aset} x\ 100\%$$

b. Operating Expenses Operating Income (BOPO)

BOPO is a ratio that shows how much operating income can cover the bank's operational responsibilities. A lower level of BOPO ratio indicates optimal use of company resources, thus having an impact on the performance of bank management performance (Syakhrun et al., 2019). Evaluation of the efficiency of banking operations aims to ensure that activities related to the core of its business are carried out appropriately and to identify the effective utilization of all its production factors (Mawardi, 2004). BOPO measurement formula

$$\text{BOPO} = \frac{Biaya\ Operasional}{Pendapataan\ Operasional}\ \text{x100\%}$$

4. Capital

CAR is the proportion of capital adequacy to anticipate bank losses. In calculating capital, banks must refer to Bank Indonesia regulation No. 10/15/PBI/2008 Article 2 which regulates the obligation to provide a minimum capital of 8% of Risk Weighted Assets (RWA) (Ismaulina et al., 2021). CAR is a measuring tool to evaluate the availability of bank capital in the face of potential losses of assets that contain risk. The more minimal a bank’s risk, the greater the opportunity to increase profitability. Conversely, an expanded bank risk will increase the need for capital to meet minimum capital adequacy requirements. CAR Measurement Formula:

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

METHODS

This research is a descriptive study using quantitative methodology by analyzing financial information from Islamic Commercial Banks to assess bank health. The data collection technique used in this research is non-member perception with literature and documentation studies. The data in this study comes from the Financial Statements of Islamic Commercial Banks between 2018-2022 published through the OJK website http://www.ojk.go.id and GCG reports of each Islamic Commercial Bank.

In this study, a purposive sampling technique was employed, based on certain criteria. Based on the fulfillment of sample criteria from 14 Islamic Commercial Banks registered with OJK, only 7 banks are included in the sample criteria, namely, Bank Muamalat Indonesia, Bank Victoria Syariah, Bank Jabar Banten Syariah, Bank Panin Dubai Syariah, Bank Mega Syariah, BCA Syariah, and Bank KB Bukopin Syariah. The data analysis technique applied in this study is a descriptive data analysis approach to providing a comprehensive understanding of the data. As an assessment framework, this research refers to Bank Indonesia Regulation No. 13/1/PBI/2011 regarding the analysis of the Health Level of Commercial Banks through the RGEC method (Risk Profile, Good Corporate Governance, Earnings, Capital).

RESULT AND DISCUSSION

1. **Risk Profile**
   a. **NPF (Net Performing Financing**

Table 1. NPF Ratio of Islamic Comercial Banks Period 2018-2022

Islamic Commercial Bank	NPF%					Average	PK	Predicate
	2018	2019	2020	2021	2022			
Bank Muamalat	3,87	5,22	4,81	0,67	2,78	3,47	2	Healthy
Bank Victoria Syariah	3,99	3,94	4,73	9,54	1,81	4,80	2	Healthy
Bank Jabar Banten Syariah	4,58	3,54	5,28	3,42	2,91	3,94	2	Healthy
Bank Mega Syariah	2,15	1,72	1,69	1,15	1,09	1,56	1	Very Healthy
Bank Panin Dubai Syariah	4.81	3.81	3.38	1.19	3.31	3,3	2	Healthy
Bank KB Bukopin Syariah	5.71	5.89	7.49	8.83	4.63	6,51	3	Healthy Enough
BCA Syariah	0.35	0.58	0.50	1.13	1.42	0,79	1	Very Healthy
Average	3,65	3,61	4,13	3,70	2,15	3,45	2	Healthy

Source: Data processing, 2023

Data Table 1, it can be observed that the value of the NPF ratio of Islamic Commercial Banks in Indonesia from 2018 to 2022 shows fluctuating dynamics. Despite the fluctuations, overall there was an improvement in the quality of financing which reflected the effectiveness of the credit risk management system. The average NPF of Islamic Commercial Banks during this period was successfully maintained in the PK-2 classification with a healthy predicate. However, the dynamics of individual Islamic Commercial Banks showed significant changes in NPF, such as BCA Syariah which experienced an increase from 0.35% in 2018 to 1.42% in 2022, these conditions remained in the PK-1 category, which is very healthy. On the other hand, Bank Mega

Syariah experienced a shrinkage from 2.15% in 2018 to 1.09% in 2022 and still maintained a very healthy PK-1. The decrease in NPF ratio was due to several factors, among others, improved credit quality both in terms of distribution and collection as a positive impact of credit restructuring policies by OJK during the COVID-19 pandemic, as well as an increase in people's purchasing power which helped boost debtors' income.

b. FDR (Financing Deposit to Ratio)

Table 2. FDR Ratio of Islamic Commercial Banks Period 2018-2022

Islamic Commercial Bank	**FDR%**					**Average**	**PK**	**Predicate**
	2018	**2019**	**2020**	**2021**	**2022**			
Bank Muamalat	73,18	73,51	69,84	38,33	40,63	60,1	1	Very Healthy
Bank Victoria Syariah	82,78	73,81	74,05	65,26	76,77	74,53	1	Very Healthy
Bank Jabar Banten Syariah	89,85	93,53	86,64	81,55	81,00	86,51	3	Healthy Enough
Bank Mega Syariah	90,88	94,53	63,94	62,84	54,63	71,36	1	Very Healthy
Bank Panin Dubai Syariah	88,82	95,72	111,71	107,56	97,32	100,22	4	Less Healthy
Bank KB Bukopin Syariah	93,40	93.48	196,73	92,97	92,47	113,81	4	Less Healthy
BCA Syariah	88,99	90,98	81,32	81,38	79,91	84,51	2	Healthy
Average	86,84	87,01	97,75	75,70	74,68	84,39	2	Healthy

Source: Data processing, 2023

Evaluation of the FDR ratio of Islamic Commercial Banks during the 2018-2022 period shows unstable movements. Overall, the average FDR of 84.39% is included in the healthy category on PK-2. However, there are significant differences between these banks, especially Bank Panin Dubai Syariah and Bank KB Bukopin Syariah, which recorded FDR ratios far above the average, namely in the PK-4 unhealthy category. The increase in the FDR ratio reflects the expansion in the number of loans disbursed to third parties. This situation indicates that these banks are experiencing difficulties balancing their intermediary function with the need to maintain adequate liquidity. This suggests the necessity for enchantment in asset and liability management strategies to ensure more efficient and sustainable operations (Wartoyo & Meutia, 2016).

2. GCG (Good Corporate Governance)

Table 3. GCG Ratio Value of Islamic Commercial Bank Period 2018-2022

Islamic Commercial Bank	GCG					Average	PK	Predicate
	2018	2019	2020	2021	2022			
Bank Muamalat	3	3	3	2	2	2,6	3	Healthy Enough
Bank Victoria Syariah	2	2	2	2	2	2	2	Healthy
Bank Jabar Banten Syariah	3	3	3	2	3	2,8	3	Healthy Enough
Bank Mega Syariah	2	2	2	2	2	2	2	Healthy
Bank Panin Dubai Syariah	2	2	2	2	2	2	2	Healthy
Bank KB Bukopin Syariah	2	3	3	3	3	2,8	3	Healthy Enough
BCA Syariah	1	1	1	1	2	1,4	1	Very Healthy
Average	2,2	2,3	2,3	2	2,3	2,3	2	Healthy

Source: Data processing, 2023

The self-assessment analysis of seven Islamic Commercial Banks during 2018-2022 revealed fluctuating results. The instability of GCG scores is influenced by various external factors such as changes in laws and regulations and economic conditions, as well as internal factors from leadership changes. Overall, the average GCG score over the five years was 2.3, classified as PK-2, which signifies a healthy condition. However, there were differences in performance between the banks, with BCA Syariah showing the best performance, consistently maintaining a very healthy rating of PK-1 throughout the period. Bank Victoria Syariah, Bank Mega Syariah, and Bank Panin Dubai Syariah also showed stability by maintaining a healthy PK-2 predicate, reflecting success in implementing effective corporate governance principles. Bank Muamalat, Bank Jabar Banten Syariah, and Bank BK Bukopin Syariah are at PK-3 moderately healthy, indicating they are moderately healthy but require improvement in GCG implementation. These results emphasize the importance of continuous improvement in corporate governance. Thus banks with lower ratings must improve GCG practices to realize a superior business area for all stakeholders.

3. Earnings

a. ROA (Return On Asset)

Table 4. Value of ROA Ratio of Islamic Commercial Banks Periode 2018-2022

Islamic Commercial Bank	ROA%					Average	PK	Predicate
	2018	2019	2020	2021	2022			
Bank Muamalat	0,08	0,05	0,03	0,02	0,09	0,05	4	Less Haelthy
Bank Victoria Syariah	0,32	0,05	0,16	0,71	0,45	0,34	4	Less Haelthy
Bank Jabar Banten Syariah	0,54	0,60	0,41	0,96	1,14	0,73	3	Healthy Enough
Bank Mega Syariah	0,93	1,49	1,74	4,08	2,59	2,17	1	Very Healthy
Bank Panin Dubai Syariah	0,26	0,25	0,06	6,72	1,79	1,82	1	Very Healthy
Bank KB Bukopin Syariah	0,02	0,04	0,04	5,48	1,27	1,37	2	Healthy
BCA Syariah	1,17	1,15	1,09	1,12	1,33	1,17	2	Healthy
Average	0,47	0,52	0,50	2,73	1,24	1,09	3	Healthy Enough

Source: Data processing, 2023

Based on Table 4, the evaluation of the Return on Asset ratio of Islamic Commercial Banks in Indonesia 2018-2022 shows fluctuations with an average of 1.09% which falls under the moderately healthy category in PK-1. These results indicate that Islamic Commercial Banks can generate sufficient profits from their assets, but there are still significant opportunities to improve operational efficiency. Bank Mega Syariah and Bank Panin Dubai Syariah recorded the best ROA performance with an average of 2.17% and 1.82% respectively placing both in the very healthy category PK-1. Bank KB Bukopin Syariah and Bank BCA Syariah took second place with ROA of 1.17% and 1.53%, classified as healthy at PK-2. The performance of these four banks significantly outperformed Bank Muamalat, Bank Victoria, and Bank Jabar Banten Syariah which recorded lower ROA values. This significant difference in return on assets (ROA) indicates a difference in asset management effectiveness between Islamic Commercial Banks. Banks with low ROA face challenges in optimizing assets to generate profits which may impact their ability to provide attractive returns to shareholders and reinvest for business development. These findings highlight the importance of strategies to improve operational efficiency and better asset management in Indonesia's Islamic banking sector.

b. BOPO (Operating Expenses Operating Income)

Table 5. Value of BOPO Ratio of Islamic Commercial Banks Period 2018-2022

Islamic Commercial Bank	BOPO%					Average	PK	Predicate
	2018	2019	2020	2021	2022			
Bank Muamalat	98,24	99,50	99,45	99,29	96,62	98,62	5	Less Healthy
Bank Victoria Syariah	96,38	99,80	96,93	91,35	94,41	95,77	5	Less Healthy
Bank Jabar Banten Syariah	94,66	93,93	95,41	88,73	84,90	91,52	5	Less Healthy
Bank Mega Syariah	93,84	93,71	85,52	64,64	67,33	81,00	1	Very Healthy
Bank Panin Dubai Syariah	99,57	97,74	99,42	202,74	76,99	115,3	5	Less Healthy
Bank KB Bukopin Syariah	99,45	99,60	97,73	180,25	115,76	118,55	5	Less Healthy
BCA Syariah	87,43	87,55	86,28	84,78	81,63	85,53	2	Healthy
Average	97,02	95,98	94,39	115,97	88,23	98,38	5	Less Healthy

Source: Data processed 2023

The average BOPO ratio of Islamic Commercial Banks in Indonesia for five years from 2018 to 2022 revealed results that exceeded the standards set by Bank Indonesia. This indication illustrates that the performance of Islamic commercial banks needs to focus on improving the efficiency of their lending to increase their profitability. The high BOPO ratio is a reflection of the measure of operating costs borne by Islamic Commercial Banks compared to the operating income generated. Optimizing the lending process is a key strategy for Islamic banks to increase productivity and profitability. This has proven effective, as shown by the impressive performance of several Islamic banking sectors in Indonesia. Bank Mega Syariah, for example, managed to achieve an efficient BOPO level of 81%, placing it in the very healthy category on PK-1. In line with that, BCA Syariah also exhibited commendable performance with a healthy predicate on PK-2. The achievement of the two banks reflects that improvements in operational productivity can result in effective operational cost reduction, significantly contributing to their economic health and competitiveness of banks in the Islamic banking industry.

4. Capital

Table 6. CAR Ratio of Islamic Commercial Bank for the Period 2018-2022

Islamic Commercial Bank	CAR%					Average	PK	Predicate
	2018	2019	2020	2021	2022			
Bank Muamalat	12,34	12,42	15,21	23,76	32,70	19,28	1	Very Healthy
Bank Victoria Syariah	22,07	19,44	24,60	33,21	149,27	49,71	1	Very Healthy
Bank Jabar Banten Syariah	16,43	14,95	24,14	23,47	22,11	20,22	1	Very Healthy
Bank Mega Syariah	20,54	19,96	24,15	25,59	26,99	23,44	1	Very Healthy
Bank Panin Dubai Syariah	23,15	31,43	14,46	25,81	22,71	23,51	1	Very Healthy
Bank KB Bukopin Syariah	19,31	15,25	22,22	23,74	19,49	20,00	1	Very Healthy
BCA Syariah	24,27	38,28	45,26	41,43	36,72	37,19	1	Very Healthy
Average	19,73	21,68	24,29	28,14	44,28	27,62	1	Very Healthy

Source: Data processing, 2023

Based on table 6, shows that the average value of the CAR ratio of seven Islamic Commercial Banks in Indonesia from 2018 to 2022 exceeds the rating matrix criteria for determining the health level rating, namely CAR ≥ 11%. This indicates that the seven banks have a substantial level of capital adequacy. The increase in the level of the CAR ratio of Islamic commercial banks was due to two main factors. First, stable credit growth has encouraged Islamic banks to strengthen their capital position. Second, changes in Bank Indonesia's monetary policy also played an important role. Bank Indonesia's benchmark interest rate has increased significantly, from 4.75% in 2018 to 6.75% in 2022. Although Islamic banks do not apply a conventional interest system, this increase in interest rates impacts the profit-sharing and margin mechanisms of Islamic banks. In addition, Bank Indonesia's policy requires an increase in the minimum capital requirement (CAR) for Islamic Commercial Banks to 9% by 2023. This increase indicates that Islamic Commercial Banks in Indonesia are getting stronger financially. This achievement is predicted to raise public confidence in

Islamic banking institutions, providing a positive impetus for the growth of the Islamic banking sector in Indonesia (Yusuf et al, 2018).

The Health Level Assament Analysis of Islamic Commercial Banks in Indonesia

After analyzing each component of the Islamic Commercial Bank between 2018-2022, the next step is to conduct a comprehensive evaluation by applying the RGEC approach. The purpose of this evaluation is to provide a holistic assessment of the health level of Islamic banks in obtaining a more in-depth and accurate understanding of the health levels of Islamic commercial banks over five years. The results of the evaluation of the health level of Islamic Commercial Banks from 2018-2022 are described as follows:

Table 6. Results of Evaluation of the Health Level of Islamic Commercial Banks for the Period 2018 -2022

Component	Ratio	Value (%)	Rating					PK	Predicate
			1	2	3	4	5		
Risk Profile	NPF	3,45		√				2	Healthy
	FDR	84,39		√				2	Healthy
Good Corporate Governance	GCG	2		√				2	Healthy
Earnings	ROA	1,09			√			3	Healthy Enough
	BOPO	98,38					√	5	Less Healthy
Capital	CAR	27,61	√					1	Very Healthy
Composite Value		30	5	12	3		1		
Total		(21/30)x100% = 70%						3	Healthy Enough

Source: Data processing, 2023

A comprehensive evaluation of the health level of Islamic Commercial Banks through the RGEC approach during 2018-2022 presents a total composite value of 70%. This result places the Islamic Commercial Bank on a composite rating of 3 with a fairly healthy predicate. Referring to Bank Indonesia Circular Letter No.13/24/DPNP/2011, the acquisition of PK-3 indicates that Islamic Commercial Banks have a suboptimal ability to face external challenges and complex business dynamics. Although not in an alarming condition, this rating shows a significant opportunity for improvement and optimization in various operational and strategic aspects of national Islamic banking (Wartoyo & Sudrajat, 2024). These aspects include strengthening risk management, good corporate governance, developing competent human resources, product innovation, and capital to support business growth. By focusing improvement efforts on these aspects, Islamic Commercial Banks in Indonesia have the potential to improve their health rating and strengthen their position in the national banking industry.

CONCLUSION

From the interpretative results of research related to the assessment of the health level of Islamic Commercial Banks for the 2018-2022 period, it can be concluded as follows. Evaluation of the bank's health level through the RGEC approach shows a fairly healthy performance with a composite rating of 3. This indicates that the Islamic Commercial Bank has adequate stability and health. Ability to manage the financing portfolio, as shown through the calculation of the NPF and FDR ratios which are classified in the healthy category. Good Corporate Governance, The implementation of corporate governance principles in Islamic Commercial Banks is rated healthy with a composite rating of 2, reflecting that bank management has successfully implemented good GCG. Earnings, and bank profitability performance as measured by the ROA ratio, are fairly healthy categories. This indicates that Islamic Commercial Banks can generate sufficient profits from their assets. However, the BOPO ratio shows a high value. This condition implies a potential risk that can suppress the bank's profitability in the future. Capital, the capital strength of the Islamic Commercial Bank is very healthy as indicated by the CAR ratio which is at a composite rating of 1. This achievement ensures Islamic Commercial Bank has adequate capital fundamentals and provides a strong foundation for future growth and expansion. Future research is expected to increase the research period and expand the scope of research locations by considering the use of various additional instruments in measuring the health level of banks, to provide more significant results and add to the repertoire of research knowledge.

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