

Analysis of Bank Soundness Level using the RGEC Method at PT. Muamalat Indonesia period 2015-2019.

Endah Dewi Purnamasari¹, Chandra Satria², Emilia³
{endahdps@uigm.ac.id¹,chandra@stebisigm.ac.id²,emilia@student.stebisigm.ac.id³}

STEBIS IGM University, Palembang, Indonesia¹, STEBIS IGM University, Palembang, Indonesia²,
STEBIS IGM University, Palembang, Indonesia³

Abstract. Bank Muamalat is the first Islamic bank to be established in Indonesia. Then in the last five years, the bank has experienced significant development and received many awards. However, the facts in the field of bank financial performance have decreased. This study aims to determine the financial performance of PT. Bank Muamalat Indonesia period 2015-2019 using the RGEC method. This study uses a quantitative approach, namely descriptive analysis. The results show that the performance of Bank Muamalat Indonesia in the 2015 and 2017 periods was ranked 4 "LESS HEALTHY" and in 2016, 2018, the performance of Bank Muamalat Indonesia in 2019 was ranked 3rd "HEALTHY ENOUGH".

Keywords: Performance bank, RGEC.

1 Introduction

One of the industrial fields that are currently being developed is banking. Banking is one type of industry engaged in the economy. The banking industry plays a significant role in economic development, not only in Indonesia in many other countries, and the banking industry is very much needed in economic development. Islamic banks are part of an Islamic entity that functions as an intermediary financial institution that is expected to present themselves well compared to banks with other systems (interest-based banks). The birth of Islamiq Bank with a different concept, which prohibits the application of interest in all Bank transactions because it includes in the usury categories [1].

In a relatively short period of time, Islamic banks in Indonesia have shown significant progress. They show their existence in the national economic system with the increasing number of Islamic commercial banks (BUS) and Islamic business units (UUS) in Indonesia. The following is the data on the number of BUS and UUS in Indonesia

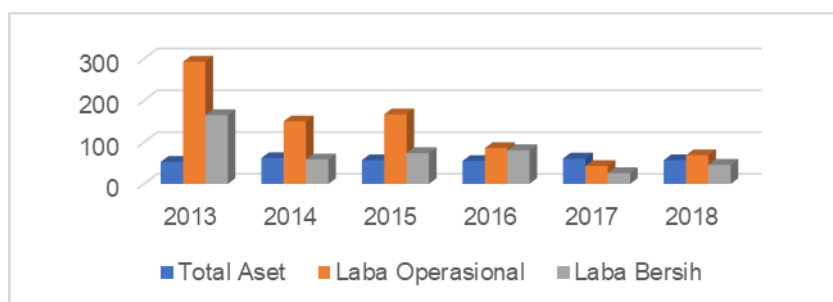
Table 1. Data on BUS and UUS Branch Offices in Indonesia.

Type	2015	2016	2017	2018
BUS	450	473	468	477
UUS	138	149	164	151

Source: Islamic Banking Statistics October 2018, Researcher Processed Data [2].

The choice of Muamalat bank in the study because the first Islamic bank to be established and then within the last 5 years, the bank has experienced significant development and received various awards. However, the facts in the field in the table below in terms of performance of the Muamalat bank have fluctuated, and these fluctuating changes are no better than in previous years. Then it can be indicated a decline which is described as follows:

Graph 1.1 Achievement of Bank Muamalat Indonesia Performance



The decline in the profitability ratio, which is shown by operating profit and net profit, has made the news about the health condition of the capital at PT. Bank Muamalat Indonesia. The news regarding the problem of capital at the first Islamic bank in Indonesia is in the spotlight. This is because BMI, as the oldest sharia bank, is an indicator of sharia economic growth, which is currently receiving special attention from the government. Given that banking institutions are institutions that collect funds from the wider community and require public trust for those who deposit their funds in banks, maintaining the health of the bank is very important to maintain public trust.

2 Literature Review

2.1 Definition of Sharia Banking

Sharia banking is a bank that operates on the basis of sharia principles. Sharia banks consist of Sharia Commercial Banks, Sharia Business Units, and Sharia Rural Banks (BPRS) [3]. Basic Sharia Banking Law:

1. This law is concerning Islamic banking
2. Bank Indonesia Circular (SEBI) and Bank Indonesia Regulation (PBI) concerning Islamic Banking.

Bank health is a financial and non-financial condition. The importance of all interested parties, including bank voters, management, state banks (through Bank Indonesia), and bank service users to evaluate the bank's performance in applying prudential principles, compliance with applicable regulations and management. Risk [4].

2.2 RGEC method

Determinants of health level: [4].

1. Risk Profile Assessment.
Risk profile, namely an assessment of inherent risk and the quality of risk management implementation in bank operational activities [4].
2. Good Corporate Governance (GCG).

Good Corporate Governance for Islamic Commercial Banks is an assessment of the quality of bank management on the application of the five principles of Good Corporate Governance. [4].

3. Assessment of Ratability Factors.
Profitability includes evaluation of profitability performance, sources of profitability, sustainability of profitability, management of profitability, and implementation of social functions. [4].
4. Assessment of Capital Factors.
Capital includes evaluation of capital adequacy and adequacy of capital management. To measure the capital ratio assessment used is CAR (Capital Adequacy Ratio) [4].

3. Methods

This study has a microeconomic nature and aims to assess the level of the financial health of PT. Bank Muamalat Indonesia. The analysis used is by assessing the financial ratios published by the bank in the form of a descriptive analysis presented from 2014 to 2018. The steps used to assess the soundness of a bank for each factor and its components are as follows:

- a. Collect data from company financial reports related to research variables.
- b. Rank each RGEC indicator.
- c. To determine the bank soundness level assessment composite rating from 2014 to 2018. The composite value for the financial ratios of each component that ranks on the composite will be as follows :
 1. Ranking 1 = result is multiplied by 5
 2. Ranking 2 = result is multiplied by 4
 3. Ranking 3 = result is multiplied by 3
 4. Ranking 5 = result is multiplied by 1
 5. Ranking 4 = result is multiplied by 2
- d. The composite value that has been obtained from multiplying each checklist is then weighted by percentage. The weight/percentage to determine the overall composite rating of the components is as follows.
- e.

Table 2. Composite Rating Rating Weight

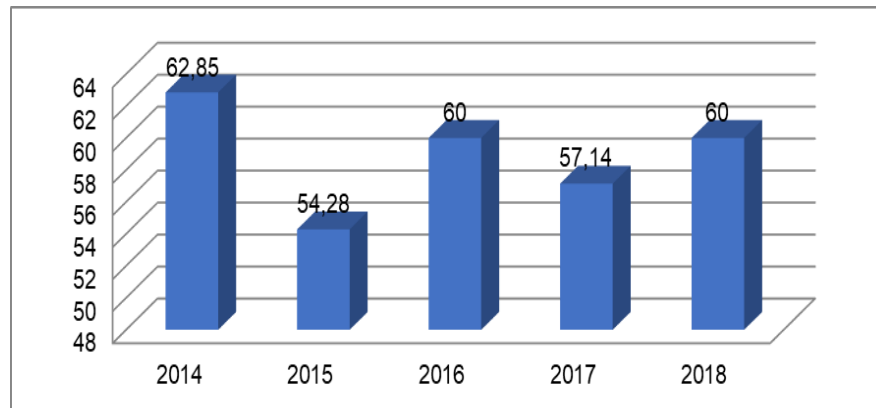
Weight (%)	Composite Rating	Description
86 – 100	PK 1	Very healthy
71 – 85	PK 2	Healthy
61 – 70	PK 3	Fairly Healthy
41 – 60	PK 4	Unwell
<40	PK 5	TidakSehat

- f. Conclude the soundness level of the bank by the bank soundness calculation standards that have been determined by Bank Indonesia based on the calculation of the ratio analysis.

4. Results and Discussion

The results of the assessment of the performance level of PT. Bank Muamalat Indonesia, based on the RGEC methods during 2014-2018 can be presented in the following Graph:

Graph 1.2. RGEC Composite Value at PT. Bank Muamalat Indonesia for the period 2014-2018



Source: Secondary Data processed by Researchers, 2020

Based on graph 8, it can be seen that the highest value was in 2014, amounting to 62.85%. And as a whole, from 2014 - 2018, the percentage of BOPO in Not Healthy shows that the bank is in bad condition because it cannot reduce operating costs so that operating income will decrease further. Because the smaller the percentage of BOPO, the more efficient the operational costs incurred by the bank, and the higher the chance for the bank to make a profit or profit in operational activities.

Moreover, conversely, the higher the percentage of BOPO, the less the bank's ability to reduce operational costs and can cause bank losses if it occurs continuously in the following years. Overall financial ratios describe if in the last five years the level of profit of PT. Bank Muamalat Indonesia is in a less healthy condition.

5. Conclusions

Performance Level Assessment at PT. Bank Muamalat Indonesia with the RGEC method shows the final Composite Value calculation which is above 58.85% on average, it can be concluded that in 2014 to 2018 PT. Bank Muamalat Indonesia was ranked 4th for the unhealthy category.

So it can be concluded that Operating Expenses on Operating Income (BOPO) have a higher influence in determining the composite value compared to other variables.

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