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Bank Health Analysis with RGEC Method Panin Dubai Syariah Bank

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Abstract

Based on the observations, the background of this study is that there are several financial ratios that experience fluctuations and contrary the theory and to find out level of bank health in Panin Dubai Syariah Bank period 2017-2021. This study aims to find out the health level of Panin Dubai Syariah Bank for the period 2017-2021 using the RGEC method. The valuation factors used are Risk Profile, Good Corporate Governance, Earning and Capital factors. The object of this research is the financial statements of research used is quantitative with a descriptive approach. The type of data used in this study is secondary data. The results showed that the health level of Panin Dubai Syariah Bank based on Risk Profile factors gets a healthy predicate, Good Corporate Governance gets a healthy predicate, Earning gets an unhealthy predicate and Capital gets a very healthy predicate.

Keywords: Risk Profile; Good Corporate Governance; Earning; and Capital.

1. Introductio

The banks is very important to meet customer needs that are to increase scale of business. The customer gets additional capital from the bank to advance his business. In addition, at this time the bank has reached the bottom of the community in fulfilling their needs and desires that are productive, consumptive, educational, hajj savings, investment, and facilities to facilitate their business. Banks are not only needed by every individual or society but are very influential on economic growth and development it (Nainggolan, 2016).

In the 1980s, Islamic banks developed in Indonesia which was the influence of the development of Islamic banks in Islamic countries. After Law No. 10 of 1998 which regulates the legal basis and businesses that can be operated by Islamic banks is approved, the development of Islamic banks in Indonesia is growing rapidly. The law directs conventional banks to open branches with Islamic principles (Antonio, 2001).

With the rapid development of Islamic banking, encouraging the banking sector to improve the health of banks. This aims to avoid the occurrence of risks and problems early so that public trust in the bank is higher (M. Nurwijayanti, 2018). A bank is said to be healthy if the bank carries out its duties and functions properly where the bank can maintain and maintain customer trust, carry out the intermediation function and be able to carry out government policies, especially monetary policy (A. Ningsih and Anik, 2020).

According to Bank Indonesia Regulation Number 13/1/PBI/2011 concerning Bank Soundness Level Assessment, it is explained that in order to increase the effectiveness of Bank Soundness Level assessment, it is necessary to improve the Bank Soundness Level assessment, namely the RGEC method approach. To assess the Risk Profile, there are eight types of risk assessed, namely financing risk, market risk, liquidity risk, operational risk, legal risk, reputation risk, strategic risk, and compliance risk. The determination of the GCG factor rating is based on the bank's GCG principles and other information related to the bank's GCG, as well as the principle of a comprehensive and structured evaluation result. As for Earning (profitability), the assessment is carried out with a comprehensive analysis of profitability or other indicators that affect profitability. Then for the assessment of Capital the bank conducts a comprehensive analysis of the adequacy of capital (Indonesian Bank, 2011).

Bank health assessment can be done by reviewing the financial statements of a company. This is because the financial report is an information or written record of the activities carried out by a company to assess the company's financial condition and company performance in a certain period (Darmawan, 2020).

2. Literature Review

The soundness level of a bank is the result of an assessment carried out on the performance or condition of the bank and various aspects that influence it where the assessment is carried out through a quantitative or qualitative strategy by considering various factors such as finance and business economics (I.B Indonesia, 2016).

Based on Indonesian Regulation No. 13/1/PBI/2011 banks need to use the risk based bank rating or RGEC method to assess the soundness of a bank individually. Factors for assessing the soundness of this bank include Risk Profile, Good Corporate Governance, Rentability and Capital (Bank Indonesia, 2011).

3. Materials And Methods

3.1. Materials

The object used is the financial statements of Panin Dubai Syariah Bank for the 2017-2021 period. This study was conducted to assess the Healthy Rating of Panin Dubai Syariah Bank when analyzed using the RGEC method. The following table presents the financial ratios of Panin Dubai Syariah Bank for the 2017-2021 period.

Table 1. Financial Ratios of Panin Dubai Syariah Bank 2017-2021

Period	NPF (%)	%	FDR (%)	%	ROA (%)	%	OER (%)	%	CAR (%)	%
2017	4.83	-	86.95	-	-11.3	-	217.40	-	11.51	-
2018	3.84	-20.50	88.82	2.15	0.24	102.12	99.57	-54.20	23.15	101.13
2019	2.80	-27.08	95.72	7.77	0.20	-16.67	97.74	-1.84	14.46	-37.54
2020	2.45	-12.5	111.71	16.70	0.06	-76	99.42	1.72	31.43	117.36
2021	0.94	-61.6	107.56	-3.71	-6.72	-113	202.74	103.9	25.81	-17.88

It can be seen that there are instability ratios that occur at Panin Dubai Syariah Bank and ratios that are contrary to the existing theory. These fluctuations are influenced by the amount of third party funds channeled for financing, the ability of bank management to manage assets and control the efficiency of the company and the adequacy of capital owned by the bank. In addition, the ROA ratio tends to decrease, while according to the theory, the higher the ROA, the greater the profit (R. Kadir, 2021). While the OER ratio tends to increase, while according to the theory the smaller the OER value, the more effective the operational costs incurred by the bank concerned so that the less likely it is to have problems (Rivai and V, 2010).

3.2. Methods

In this study, the method used is quantitative research with a descriptive approach. Quantitative research is a process that done to gain knowledge with data in the form of numbers used to find a description of something we want know (Darmawan, 2020). While descriptive research is strategic research used to describe current or past phenomena (J. Jusman, 2019). The object of this research is the financial statements of PT. Dubai Panin Bank.

The 2017-2021 sharia period which contains RGEC elements such as financial ratios namely NPF, FDR, ROA, BOPO, CAR, and implementation reports GCG that has been issued by the Financial Services Authority (OJK). Data collection techniques carried out by the author is by way of research reports in the form of Annual Reports and GCG Reports of PT Bank Panin Dubai Sharia for the 2017-2021 period. These data were obtained from the official website of PT Bank Panin Dubai Syariah www.paninbanksyariah.co.id. Writers do too assessment through the literature that has to do with the problem researched. After collecting data, the writer performs data analysis. Data analysis is a collection of an inspection activity, classifying, organizing, explaining and proving data for a phenomena have scientific and social value. In this study, the steps used were data collection, data reduction, data presentation, and conclusion.

4. Results And Discussion

4.1. Risk Profile Theory

Risk Profile is an assessment of risk profile factors is a determination of the inherent risk and the quality of risk management implementation in bank operations. Market risk, credit risk, operational risk, legal risk, compliance risk, liquidity risk, strategic risk and reputation risk are the eight types of risks examined (Zainal, 2013). There are 2 types of ratios that can be used (Jumingan, 2014):

4.1.1 Net Performing Financing (NPF)

The NPF ratio is the amount of financing that has poor performance, namely financing that cannot be billed and is classified as substandard, doubtful and loss financing (B.R Rustam, 2013). Formula:

$$\text{NPF} = \frac{Non\ Performing\ Financing}{Total\ Financing}\ x\ 100\% \qquad (1)$$

The higher the NPF value, the worse the bank's performance. Poor financing will result in lost opportunities to earn income from financing that has been paid and affect profits. A high NPF indicates poor financing (R. Kadir, 2021).

4.1.2 Financing to Deposit Ratio (FDR)

FDR is a ratio to compare the amount of financing provided with public savings and provide credit to the community on time (R. Wijaya, 2019). Formula:

$$\text{FDR} = \frac{Amount\ Of\ Financing}{Third\ Party\ Funds}\ x\ 100\% \qquad (2)$$

The higher the FDR ratio, the lower the related bank liquidity (Rivai and V, 2010). The reason is that the amount of disbursement of funds for financing is getting bigger so that the liquid funds are getting smaller (R.M Sari et al, 2021).

4.2. Good Corporate Governance Theory

The principles of GCG and the core of evaluating the application of GCG principles refer to Bank Indonesia regulations regarding the implementation of GCG in commercial banks by considering the characteristics and complexity of the banking business (Zainal, 2013). The principles of GCG include accountability, responsibility, openness, fairness and independence (Kusmayadi, Rudiana and Badruzaman, 2015).

4.3. Earning Theory

There are several types of ratios that can be used in this study which include (B.R Rustam, 2013):

4.3.1. Return On Assets (ROA)

ROA is a ratio used by a company to measure how capable the company is in generating net income from managing its assets (R. Wijaya, 2019). Formula:

$$\text{ROA} = \frac{Profit\ Before\ Tax}{Total\ Asset}\ x\ 100\% \qquad (3)$$

The greater the ROA value of the bank, it shows the high level of profit it generates and the bank's position in utilizing assets is getting better. So the higher the ROA indicates that the better the business performance because the higher the rate of return (R.M Sari et al, 2021).

4.3.2. Operational Efficiency Ratio (OER)

OER is a ratio to see the level of efficiency and capacity of banks in carrying out their business by comparing operating expenses with operating income (Rivai and V, 2010). Formula:

$$\text{OER} = \frac{Operating\ Costs}{Operational\ Income}\ x\ 100\% \qquad (4)$$

The lower OER shows the effectiveness of bank operational costs, so that problems are less likely to occur (Suhandi, 2019).

4.4. Capital Theory

Capital Adequacy Ratio (CAR) is a ratio used by banks to determine adequacy in terms of capital so as to avoid the occurrence of adverse financing (Wardiah, 2013). Formula:

$$\text{CAR} = \frac{Capital}{Risk\ Weighted\ Assets}\ x\ 100\% \qquad (5)$$

The higher the CAR ratio, the better the bank's ability to bear the risk of risky productive assets/credit. A bank is healthy if it has a minimum CAR of 8% (I.B Indonesia, 2016).

4.5. Composite Rating Theory

The rankings generated from the results of calculations in the assessment of the soundness of banks are known as composite ratings. The category of Healthy Rating will be reflected in this composite rating (Paramartha and Darmayanti, 2017). Formula:

$$\text{Composite Rating} = \frac{Total\ Composite\ Score}{Total\ Composite\ Rating}\ x\ 100\% \qquad (6)$$

4.6. Experimental Results

4.6.1. Descriptive Statistics

The results and discussion on the analysis of RGEC elements are as follows:

4.6.1.1 Risk Profile Analysis

a. NPF

The percentage value of NPF for 2017-2021 is 4.83; 3.84; 2..80; 2..45; 0.94, so they are in a healthy rating. While in 2021 it is in a very healthy rank. This illustrates that the ability of Panin Dubai Syariah Bank in an effort to deal with non-performing financing is good.

b. FDR

The percentage value of FDR in 2017-2021 is 86.95; 88.82; 95.72; 111.71; 107.56. Based on the Risk Profile analysis using the FDR ratio at Panin Dubai Syariah Bank in 2017, 2018 and 2019 it was ranked third with a fairly healthy predicate. However, in 2020 it dropped to fourth place with the predicate of being unhealthy. Then in 2021 it rose again to rank three with a pretty healthy predicate.

Thus, based on the analysis that has been carried out using the NPF and FDR ratios, the health level of Panin Dubai Syariah Bank for the 2017-2021 period is viewed from the Risk Profile factors as follows:

Table 2. Composite Risk Profile Rating

Period	Ratio	%	Average	Description
2017	NPF FDR	4.83 86.95	2.5	Healthy
2018	NPF FDR	3.84 88.82	2.5	Healthy
2019	NPF FDR	2.80 95.72	2.5	Healthy
2020	NPF FDR	2.45 111.71	3	Healthy enough
2021	NPF FDR	1.49 99.51	2	Healthy

The table above can be concluded that the health level of Panin Dubai Syariah Bank for the period 2017-2021 in terms of the Risk Profile factor obtained a healthy predicate.

4.6.2.1 Good Corporate Governance Analysis

The following are the results of data analysis to assess the Healthy Rating of the bank obtained from the results of the GCG implementation of Panin Dubai Syariah Bank in 2017-2021:

Table 3. Rating of Good Corporate Governance Panin Dubai Sharia Bank

Period	GCG (%)	Rating	Description
2017	2.725	3	Healthy enough
2018	2.15	2	Healthy
2019	2.15	2	Healthy
2020	2.2	2	Healthy
2021	2.175	2	Healthy

In 2017 Panin Dubai Syariah Bank GCG was ranked 3rd with a fairly healthy predicate. However, from 2018 to 2021, Panin Dubai Syariah Bank's GCG increased to rank 2 with a healthy predicate. The interpretation, based on the results of the study, illustrates that the Company's Management has implemented GCG which is generally good and in accordance with applicable regulations.

4.6.2. Earning Analysis

a. ROA Ratio

ROA ratio can be seen from the quotient between profit before tax and total assets.

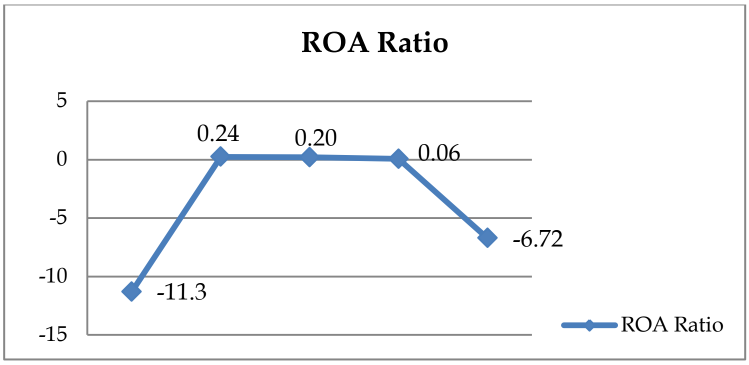

Figure 1. ROA Ratio Fluctuation Diagram

The following presents the results of the ROA ratio analysis for the ratings and predicate achieved by Panin Dubai Syariah Bank for the 2017-2021 period:

Table 4. ROA Ratio Rating

Period	ROA (%)	Criteria	Rating	Description
2017	-11.3	ROA $\leq$ 0%	5	Not healthy
2018	0.24	0% < ROA $\leq$ 0.5%	4	Healthy enough
2019	0.20	0% < ROA $\leq$ 0.5%	4	Healthy enough
2020	0.06	0% < ROA $\leq$ 0.5%	4	Healthy enough
2021	-6.72	ROA $\leq$ 0%	5	Not healthy

In 2018, 2019 and 2020 the ROA value of Panin Dubai Syariah Bank was 0.24%, 0.20% and 0.06%, respectively. The three years were ranked fourth with the predicate of being less healthy. Meanwhile, in 2017 and 2021 the bank's position was ranked fifth with an unhealthy predicate. The interpretation is that in the analysis of earnings or profitability by using this ROA ratio, banks are less able to use their assets to generate profits.

b. OER Ratio

The OER ratio can be determined by dividing operating expenses with operating income.

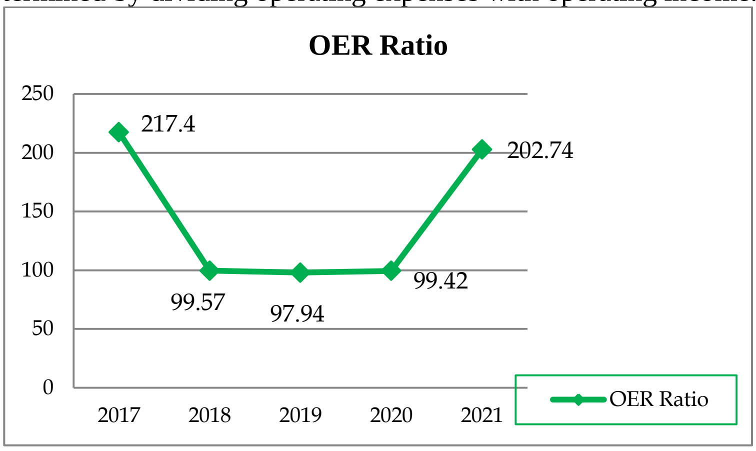

Figure 2. OER Ratio Fluctuation Diagram

The following presents the results of the OER ratio analysis for the ratings and predicates achieved by Panin Dubai Syariah Bank for the 2017-2021 period:

Table 5. Rating of OER Ratio

Period	OER (%)	Criteria	Rating	Description
2017	217.4	OER > 89%	5	Unhealthy
2018	99.57	OER > 89%	5	Unhealthy
2019	97.94	OER > 89%	5	Unhealthy
2020	99.42	OER > 89%	5	Unhealthy
2021	202.74	OER > 89%	5	Unhealthy

In 2017 to 2021 the OER ratio of Panin Dubai Syariah Bank was ranked 5th with an unhealthy predicate. This means that Panin Dubai Syariah Bank has not been able to reduce operational costs more effectively, so there is a high possibility for problems to occur.

Thus, based on the analysis that has been carried out using the ROA and OER ratios, the health level of Panin Dubai Syariah Bank for the 2017-2021 period is viewed from the Earning factor as follows:

Table 6. Composite Earning Rank

Period	Factor	Ratio (%)	Rating	Criteria	Average	Description
2017	ROA	-11.3	5	Unhealthy	10/2 = 5	Unhealthy
	OER	-217.4	5	Unhealthy		
2018	ROA	0.24	4	Healthy enough	9/2 = 4.5	Healthy enough
	OER	99.57	5	Unhealthy		
2019	ROA	0.20	4	Healthy enough	9/2 = 4.5	Healthy enough
	OER	97.94	5	Unhealthy		
2020	ROA	0.06	4	Healthy enough	9/2 = 4.5	Healthy enough
	OER	99.42	5	Unhealthy		
2021	ROA	-5.67	5	Unhealthy	10/2 = 5	Unhealthy
	OER	-153.1	5	Unhealthy		

Based on the table above, it can be concluded that the health level of Panin Dubai Syariah Bank for the period 2017-2021 in terms of the Earnings factor obtained an unhealthy predicate.

4.6.3. Capital Analysis

In this capital analysis, the CAR ratio is used which is a comparison between the amount of capital and the amount of Risk Weighted Assets (RWA). The percentage value of CAR can be seen in Figure 3.

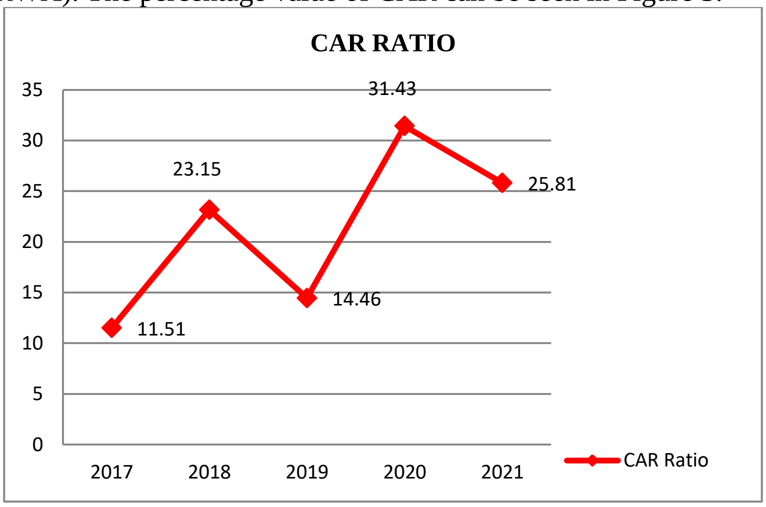

Figure 3. CAR Ratio Fluctuation Diagram

Following are the results of the CAR ratio analysis for the ratings and predicates achieved by Panin Dubai Syariah Bank for the 2017-2021 period:

Table 7. CAR Ratio Rating

Periode	CAR (%)	Criteria	Rating	Description
2017	11.51	CAR 9%-12%	2	Healthy
2018	23.15	CAR > 12%	1	Very healthy
2019	14.46	CAR > 12%	1	Very healthy
2020	31.43	CAR > 12%	1	Very healthy
2021	25.81	CAR > 12%	1	Very healthy

It can be seen that in 2017 the CAR ratio of Panin Dubai Syariah Bank was ranked 2 with a healthy predicate. Meanwhile, in 2018-2021, it was ranked 1st with a very healthy predicate. The interpretation is that in 2017-2021 Panin Dubai Syariah Bank has excellent strength in covering the risk of non-performing financing with its capital.

Financial ratio data that has been processed is then analyzed to determine the value of bank ratios in the last five years. These data can be seen in the Table 8.

Table 8. Financial Ratio Analysis of Panin Dubai Syariah Bank 2017-2021 period

Period	NPF (%)	FDR (%)	ROA (%)	OER (%)	CAR (%)
2017	4.83 Healthy	86.95 Healthy enough	-11.3 Unhealthy	217.4 Unhealthy	11.51 Healthy
2018	3.84 Healthy	88.82 Healthy enough	0.24 Healthy enough	99.57 Unhealthy	23.15 Very healthy
2019	2.80 Healthy	95.72 Healthy enough	0.20 Healthy enough	97.94 Unhealthy	14.46 Very healthy
2020	2.45 Healthy	111.71 Healthy enough	0.06 Healthy enough	99.42 Unhealthy	31.43 Very healthy
2021	0.94 Very healthy	107.56 Healthy enough	-6.72 Unhealthy	202.74 Unhealthy	25.81 Very healthy

5. Conclussion

Based on the table 10, it can be seen the health analysis of each ratio at Panin Dubai Syariah Bank. There are several ratios that do not meet the healthy predicate including the FDR, ROA and OER ratios. In the FDR ratio, Panin Dubai Syariah Bank for the last five years is in the predicate quite healthy and not healthy. This is because there are several FDR ratios that have values more than equal to 85% and less than 100% so that they are in the predicate quite healthy and there are FDR ratios that have values more than equal to 100% and less than 120% so they are in the predicate less healthy. Meanwhile, Panin Dubai Syariah Bank's ROA ratio for the last five years has obtained the predicate of unhealthy and unhealthy. This is because the ROA ratio has a low value, which is less than 0.5% so that it is in the unhealthy predicate and some even have a negative value so that it is in the unhealthy predicate. In addition, Panin Dubai Syariah Bank's OER ratio for the last five years is in the unhealthy predicate. This is because the value of the OER ratio exceeds the maximum limit specified, which is 83%.

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