



Research paper

MANFA'AH – Journal of Islamic Business and Management 1 (2), 2021, 23-32

A Comparative Analysis of the Financial Health of Bank Aceh Before and After Its Conversion to a Sharia Bank Using the RGEC Method (2012-2021)

Muhammad Mardani¹, Dina Diana²

¹Tazkia University, Sentul City, Bogor, Email: muhhammad.mardani@student.tazkia.ac.id

²Tazkia University, Sentul City, Bogor, Email: dinadiana@tazkia.ac.id

ARTICLE INFO

Keywords:

*Bank Health, Bank Aceh
Syariah, Sharia Conversion,
RGEC.*

ABSTRACT

This study aims to assess and understand the financial health of Bank Aceh following its transformation into a Sharia-compliant bank in 2016. The study employs statistical testing using time-series data derived from Bank Aceh's annual financial reports—covering three years before and after the Sharia conversion. Data were analyzed using the RGEC (Risk Profile, Good Corporate Governance, Earnings, and Capital) method, in accordance with Bank Indonesia Circular Letter No. 13/24DPNP of 2011 regarding the assessment of bank health. There was an increase in the Non-Performing Financing (NPF) and Financing to Deposit Ratio (FDR), especially starting in 2016—right after the Sharia conversion. In contrast, Return on Assets (ROA) and Return on Equity (ROE) declined in the later years, particularly during the COVID-19 pandemic. The Good Corporate Governance (GCG) and Capital Adequacy Ratio (CAR) indicators, however, did not exhibit significant changes before and after the conversion.

ABSTRAK

Penelitian ini bertujuan untuk menilai dan memahami kesehatan keuangan Bank Aceh setelah transformasinya menjadi bank yang sesuai dengan prinsip syariah pada tahun 2016. Penelitian ini menggunakan pengujian statistik dengan data deret waktu yang berasal dari laporan keuangan tahunan Bank Aceh—mencakup tiga tahun sebelum dan sesudah konversi syariah. Data dianalisis menggunakan metode RGEC (Risk Profile, Good Corporate Governance, Earnings, dan Capital), sesuai dengan Surat Edaran Bank Indonesia No. 13/24/DPNP Tahun 2011 tentang penilaian tingkat kesehatan bank. Terjadi peningkatan pada rasio pembiayaan bermasalah (Non-Performing Financing/NPF) dan rasio pembiayaan terhadap dana pihak ketiga (Financing to Deposit Ratio/FDR), terutama mulai tahun 2016, tepat setelah konversi ke syariah. Sebaliknya, rasio pengembalian aset (Return on Assets/ROA) dan pengembalian ekuitas (Return on Equity/ROE) mengalami penurunan pada tahun-tahun berikutnya, khususnya selama pandemi COVID-19. Namun, indikator Good Corporate Governance (GCG) dan Capital Adequacy Ratio (CAR) tidak menunjukkan perubahan yang signifikan sebelum dan sesudah konversi.

1. Introduction

A bank is a financial institution whose primary function is to collect funds from the public and redistribute them for the benefit and welfare of society (Kasmir, 2012). According to Indonesian Banking Law No. 10 of 1998, a bank is defined as a business entity that collects funds from the public in the form of savings and distributes them to the public in the form of credit and/or other forms in order to improve the living standards and economy of the population (Irham, 2014).

In general, banks in Indonesia can be categorized into two types: conventional banks and Islamic (Sharia) banks. Conventional banks operate by offering interest-based compensation, which is a fixed percentage either paid to depositors or charged to borrowers (Triandaru et al., 2006). In contrast, Islamic banks operate based on Islamic principles outlined in the Qur'an and Hadith. As defined in Law No. 21 of 2008 on Islamic Banking, particularly Chapter 1, Article 1, Paragraph 7, an Islamic bank is a bank that conducts its business activities in accordance with Islamic principles. One such principle is *mudharabah*—a profit-sharing agreement between a capital owner and an entrepreneur (Antonio, 2001).

As the banking sector has grown increasingly dynamic, the need for maintaining sound financial health has also intensified. This is critical to avoid undesirable scenarios such as the financial crisis that affected Indonesia in 1998. That crisis not only caused economic turmoil but also served as a significant lesson that innovation in banking products and services must be accompanied by robust risk management to prevent fundamental issues at both the institutional and systemic levels (Tarmidi, 2003).

Motivated by the lessons from the 1998 crisis and the competitive demands of the banking sector, Bank Indonesia initiated a more effective system of supervision and policy-making to evaluate banks' health. Given that the banking sector holds a dominant share in the financial system, failures in this sector can lead to macroeconomic instability both nationally and globally (Pitasari et al., 2016). Over the years, Bank Indonesia has updated its bank health assessment methods. Following the 1998 crisis, it adopted the CAMEL method—standing for Capital, Assets, Management, Earnings, and Liquidity. Later, in 2004, this method evolved into CAMELS with the addition of Sensitivity to Market Risk (Himawan et al., 2022).

Seven years after the implementation of CAMELS, Bank Indonesia introduced a new regulation—Bank Indonesia Regulation No. 13/1/PBI/2011—which shifted the assessment method to Risk-Based Bank Rating (RBBR). This approach is more focused on risk and the application of Good Corporate Governance (GCG), while still considering profitability and capital adequacy. This regulation came into effect on January 1, 2012. This shift was driven by changes in business complexity, risk profiles, the application of consolidated supervision, and international trends in bank assessment methods. Consequently, a new model emerged that evaluates bank health through four components: Risk Profile, Good Corporate Governance (GCG), Earnings, and Capital—collectively referred to as the RGEC method (Watie, 2018).

2. Literature Review

2.1 Theoretical Framework

Islamic Banking

In Islamic finance, interest (*riba*) is considered unlawful (*haram*) according to Islamic jurisprudence (*fiqh*). As a response, movements emerged in various Muslim-majority countries to establish alternative, non-interest-based banking institutions. Initially, these efforts faced skepticism and doubt, as many believed that interest and banking were inseparable—raising concerns about how banks could operate profitably without interest (Antonio, 2001). The theoretical concept of Islamic banking was first proposed in the 1940s, emphasizing a profit-sharing model. The first modern attempt to establish an interest-free bank took place in Pakistan during the mid-1940s but failed to materialize. A more successful and innovative development occurred in Egypt in 1963 with the establishment of the Mit Ghamr Local Saving Bank, which gained significant support from farmers and rural communities. However, due to political instability in Egypt, the bank's operations were taken over in 1967 by the National Bank of Egypt and the Central Bank of Egypt, resulting in the abandonment of its interest-free principles and its transformation into a conventional bank.

In 1971, under President Sadat's regime, the interest-free banking model was revived through the establishment of the Naseer Social Bank, intended to continue the business model pioneered by Mit Ghamr. The success of Mit Ghamr inspired Muslims worldwide, demonstrating that Islamic principles could be effectively applied in modern financial systems (Ulum, 2015). In Indonesia, the initiative to establish Islamic banks began in the 1980s through discussions on the role of Islamic banking in supporting the Islamic economy. Pilot projects were launched on a limited scale, including Bait At-Tamwil Salman at the Bandung Institute of Technology and the Ridho Gusti Cooperative in Jakarta (Suryani, 2012). Over the past two decades, Indonesia's Islamic banking system has achieved significant progress in institutional development, regulatory frameworks, supervisory systems, and public awareness. As of June 2015, the sector included 12 Islamic Commercial Banks, 22 Islamic Business Units owned by conventional banks, and 162 Islamic Rural Banks, capturing a market share of 4.61% (OJK, 2021).

Islamic banks are expected to uphold Islamic values, which distinguish them from conventional financial institutions. These institutions must exclusively engage in lawful (*halal*) transactions aligned with Islamic teachings (Hidayat, 2020). Although all banks aim to generate profits, Islamic banks pursue *falah*—benefits that encompass both worldly and spiritual success. Thus, Islamic banks should not focus solely on profit maximization. Customers are regarded as partners rather than merely borrowers or creditors, in contrast to conventional banks (Suryani, 2012). According to Law No. 21 of 2008, Islamic banks must operate under the supervision of a designated body, known today as the Sharia Supervisory Board. This board ensures that Islamic banks do not deviate from their core principles and objectives. All operations must comply with fatwas issued and monitored by the supervisory body (Ilyas, 2021).

Bank Aceh Syariah



Source: bankaceh.co.id

Bank Aceh Syariah, formerly known as Bank Pembangunan Daerah Aceh (BPD Aceh) or Bank Aceh, is the only regional bank established to improve the economy of the Acehnese people. Headquartered in Banda Aceh, the bank was founded in 1973 as PT Bank Pembangunan Daerah Aceh. Its establishment was initiated by the regional government in collaboration with prominent community leaders and private entrepreneurs to create a financial institution dedicated to supporting regional development. With the enactment of Law No. 13 of 1962 on the Basic Provisions of Regional Development Banks, all previously established regional banks were required to comply. In response, the provincial government of Aceh issued Regional Regulation No. 12 of 1963 as the legal foundation for the bank's establishment.

Ten years later, on April 7, 1973, the Governor of Aceh issued Decree No. 54/1973, authorizing the conversion of PT Bank Kesejahteraan Aceh, NV into Bank Pembangunan Daerah Istimewa Aceh. The official transition took place on August 6, 1973, which is commemorated as the bank's founding date. Subsequent regional regulations were enacted to expand the bank's operational scope. In 1999, the legal structure was changed from a regional company to a limited liability company (PT) through Regional Regulation No. 2 of 1999, approved by the Ministry of Home Affairs. The conversion into a PT entity was driven by the bank's participation in the national recapitalization program through a joint decree from the Minister of Finance and the Governor of Bank Indonesia. The recapitalization agreement was signed on May 7, 1999. The new corporate name, PT Bank BPD Aceh, was notarized and legalized in 1999, with authorized capital of IDR 150 billion, later increased to IDR 500 billion in 2003, and IDR 1.5 trillion in 2008.

Bank Aceh began offering Islamic banking services in 2004 after receiving approval from Bank Indonesia. Full Sharia-compliant operations started on November 5, 2004. A historic transformation occurred in 2015, when Bank Aceh decided—through a Shareholders' General Meeting (RUPSLB)—to fully convert its operations from conventional to Islamic banking. This conversion was supervised by the Financial Services Authority (OJK) and officially approved on September 1, 2016, under OJK Decree No. KEP-44/D.03/2016. The full implementation of Sharia banking was launched on September 19, 2016, across all branches. Since then, Bank Aceh has operated exclusively under Islamic principles, in line with Bank Indonesia Regulation No. 11/15/PBI/2009.

The conversion is expected to generate broad economic and social benefits and position Bank Aceh as a regional engine for development. On December 20, 2021, Bank Aceh opened a branch office in Jakarta, located on Jalan HOS Cokroaminoto, Menteng. This move signifies the Aceh government's support for expanding financial services and enhancing financial inclusion at the national level.

Financial Statements

Financial statements comprise several key components, including the balance sheet, income statement, statement of changes in equity, cash flow statement, and notes to the financial statements. These reports serve to present the financial position and performance of a company over the course of its operational years (Munawir, 2004). The primary objective of financial statements is to provide information regarding a company's financial position, performance, and changes in financial condition. This information is essential for various stakeholders in making informed economic decisions concerning the reporting entity (Indonesian Institute of Accountants, 2007).

Financial statements may vary based on their issuance frequency and reporting period. These include monthly financial statements (issued at the end of each month), quarterly financial statements (every three months), semi-annual statements (every six months), and annual reports, typically released at the end of the fiscal year (Taswan, 2019). For banks, the annual financial report is designed to offer a comprehensive overview of the bank's condition, including its business developments and overall performance. This information is expected to enhance public transparency and maintain public trust in the banking sector.

Bank Health and the RGEC Method

The term "bank health" refers to a bank's ability to operate its financial activities normally while fulfilling all obligations in accordance with applicable banking regulations (Kasmir, 2012). In principle, a bank's health,

management, and business continuity are the full responsibility of its internal management. Consequently, bank management is required to maintain and improve the institution's financial health by applying prudent principles and sound risk management practices. This includes conducting periodic self-assessments and implementing necessary corrective measures effectively (Andy et al., 2014).

Bank Indonesia also evaluates and monitors the financial health of banks and exercises supervisory authority to ensure overall financial system stability, as outlined in Bank Indonesia Circular No. 13/24/DPNP. A bank's performance and health can be measured through financial reports issued at the end of each period, which present the financial position, operational results, and risk exposures to external stakeholders (including the central bank, public, and investors) (Handayani, 2007). To assess a bank's financial condition, a composite rating system is used. This system generates a health rating based on the outcome of the bank's health evaluation, which is then classified into categories according to Bank Indonesia Regulation No. 13/1/PBI/2011 on Commercial Bank Health Assessment:

- Composite Rating 1 (PK-1): Indicates a "Very Healthy" bank, deemed highly capable of withstanding significant negative impacts from business conditions or external factors.
- Composite Rating 2 (PK-2): Indicates a "Healthy" bank, considered capable of withstanding adverse changes in business and external conditions.
- Composite Rating 3 (PK-3): Indicates a "Fairly Healthy" bank, moderately able to cope with external financial stressors.
- Composite Rating 4 (PK-4): Indicates a "Less Healthy" bank, with limited resilience to external or internal financial disturbances.
- Composite Rating 5 (PK-5): Indicates an "Unhealthy" bank, considered incapable of dealing with significant external financial risks.

Under this regulation, stakeholders—including market participants—are encouraged to understand a bank's financial condition through the RGEC components: Risk Profile, Good Corporate Governance (GCG), Earnings, and Capital. These elements collectively assess the bank's performance over a specific period to determine whether it is financially sound. The scores generated by this method help banks formulate corrective strategies to reduce risks and prevent failure. On a broader scale, it also contributes to maintaining macroeconomic financial stability (Wahasumiah, 2018).

1. Risk Profile

The size of the banking sector indirectly increases risk-taking behavior. Accordingly, it can be seen that the size of a bank reflects the level of risk preference adopted by the banking system (Syamlan, 2019). According to Bank Indonesia Regulation No.13/1/PBI/2011 Article 7 paragraph 1, the assessment of the Risk Profile factor is an evaluation of inherent risk and the quality of risk management implementation in bank operations, which is conducted on eight (8) types of risk: credit risk, market risk, liquidity risk, operational risk, legal risk, strategic risk, compliance risk, and reputational risk. This study measures the Risk Profile factor using three indicators, namely: credit risk, using the Non-Performing Financing (NPF) formula; market risk, using the Interest Rate Risk (IRR) formula; and liquidity risk, using the Financing to Deposit Ratio (FDR), Financing to Asset Ratio (FAR), and Cash Ratio. These risks are used because they provide access to quantitative data, which is not readily available for operational risk, legal risk, strategic risk, compliance risk, and reputational risk. Among the eight risks, credit risk and liquidity risk are used in this study. These two risk factors are selected because they can be measured using a quantitative approach and have clearly defined rating criteria.

2. Good Corporate Governance

The concept of GCG (Good Corporate Governance) serves as a fundamental requirement to maintain a company's existence and prevent bankruptcy. This applies not only to the banking sector but to all corporations, which must uphold GCG values in order to realize and build a strong business system (Agoes, 2011). The assessment of the GCG factor in the RGEC approach is based on three main aspects: governance structure, governance process, and governance output. Governance structure includes the implementation of duties and responsibilities of the Board of Commissioners and the Board of Directors, as well as the completeness and implementation of committee responsibilities. Governance process includes the bank's compliance function, handling of conflicts of interest, implementation of internal and external audit functions, application of risk management including internal control systems, provision of funds to related parties and large exposures, as well as the bank's

strategic plans. The final aspect, governance output, includes the transparency of financial and non-financial conditions, and the GCG implementation report that fulfills the principles of Transparency, Accountability, Responsibility, Independence, and Fairness (TARIF) (Zahrawani, 2021).

The assessment of the Good Corporate Governance factor is an evaluation of the quality of bank management in the implementation of corporate governance principles. The principles of Good Corporate Governance and the assessment focus are based on the implementation of GCG principles. This assessment includes evaluation of the following parameters/indicators, at a minimum:

1. Implementation of duties and responsibilities of the Board of Commissioners;
2. Implementation of duties and responsibilities of the Board of Directors;
3. Completeness and implementation of duties of committees and work units performing the bank's internal control functions;
4. Management of conflicts of interest;
5. Implementation of the compliance function;
6. Implementation of the internal audit function;
7. Implementation of the external audit function;
8. Implementation of risk management including the internal control system;
9. Provision of funds to related parties (related party);
10. Provision of large exposures; and
11. Transparency of the bank's financial and non-financial conditions as well as its strategic plans.

3. Earning

Earning is one of the indicators used to assess a bank's health in terms of profitability. The indicators for evaluating profitability include ROA (Return on Assets), ROE (Return on Equity), NIM (Net Interest Margin), and BOPO (Operating Expenses to Operating Income). The characteristics of a bank from the profitability aspect lie in its ability to generate profit, the stability of components supporting core earnings, and the ability of profits to increase capital in the future (Supirto, 2021). The assessment of the profitability factor includes an evaluation of profitability performance, sources of profitability, and the sustainability of bank profitability by considering aspects such as the level, trend, structure, and stability of the bank, through quantitative analysis (Noianti, 2017).

Sharia Foundation

Banks and Financial Institutions

رَجِيمًا بِكُمْ كَانَ اللَّهُ إِنْ أُنْفُسَكُمْ تَقْتُلُوا وَلَا مَنَظَرٌ لَكُمْ تَرَاضٍ عَن تِجَارَةٍ تَكُونُ أَنْ إِلَّا بِالْبَاطِلِ بَيْنَكُمْ أَمْوَالِكُمْ تَأْكُلُوا لَا أَمْوَالُ الَّذِينَ بَيْنَهُمَا

“O you who have believed, do not consume one another's wealth unjustly or send it [in bribery] to the rulers in order that [they might aid] you [to] consume a portion of the wealth of others while knowingly. And do not kill yourselves [or one another]. Indeed, Allah is to you ever Merciful.”

(Q.S. An-Nisa: 29)

The verse above forms the basis for the establishment of banks and financial institutions in Islam. Islamic banking, or Sharia banking (al-Mashrafiyah al-Islamiyah in Arabic), is a banking system whose operations are based on Islamic law (sharia). This system emerged from the prohibition in Islam against lending or borrowing money with interest, which constitutes riba, and against investing in unlawful (haram) activities (Noorwahidah, 2021).

Financial Reporting

فَلْيَكْتُبْ ۚ اللَّهُ عَلَّمَهُ كَمَا يُكْتُبُ أَنْ كَاتِبٌ يَأْبُ وَلَا بِالْعَدْلِ كَاتِبٌ بَيْنَكُمْ وَلْيَكْتُبْ ۚ فَالْكُتُبُوهُ مُسَمًّى أَجَلٍ إِلَىٰ بَدِينٍ تَدَابَيْتُمْ إِذَا أَمْوَالُ الَّذِينَ بَيْنَهُمَا بِالْعَدْلِ وَإِلَيْهِ فَلْيَمْلِكْ هُوَ يَمْلِكُ أَنْ يَسْتَطِيعَ لَا أَوْ ضَعِيفًا أَوْ سَعِيْفًا الْحَقُّ عَلَيْهِ الَّذِي كَانَ فَإِنْ شَيْئًا مِنْهُ يَبْخَسُ وَلَا رَبُّهُ اللَّهُ وَلْيَتَّقِ الْحَقُّ عَلَيْهِ الَّذِي وَلْيَمْلِكْ ۚ الْأَخْرَىٰ إِحْدَاهُمَا فَتُذَكَّرْ إِحْدَاهُمَا تَصِلُ أَنْ الشَّهَادَةُ مِنْ تَرْضَوْنَ مِمَّنْ وَأَمْرَاتَانِ فَرَجُلٌ رَجُلَيْنِ يَكُونَا لَمْ فَإِنْ رَجَالِكُمْ مِنْ شَهِيدَيْنِ وَاسْتَشْهَدُوا ۚ أَنْ إِلَّا ۚ تَرْتَابُوا إِلَّا وَأَنْتَىٰ لِلشَّهَادَةِ وَأَقْوَمُ اللَّهُ عِنْدَ أَفْسَطَ ذَلِكَ ۚ أَجَلِهِ إِلَىٰ كَبِيرًا أَوْ صَغِيرًا تَكْتُبُوهُ أَنْ تَسْأَمُوا وَلَا ۚ دَعُوا مَا إِذَا الشَّهَادَةُ يَأْبُ وَلَا بِكُمْ فَسَوْقٌ فَإِنَّهُ تَفْعَلُوا وَإِنْ شَهِيدٌ وَلَا كَاتِبٌ يُضَارُّ وَلَا ۚ تَبَايَعْتُمْ إِذَا وَأَشْهَدُوا ۚ تَكْتُبُوهَا إِلَّا جُنَاحَ عَلَيْكُمْ فَلْيَسِّرْ بَيْنَكُمْ تَبَايَعْتُمْ حَاضِرَةً تِجَارَةً تَكُونُ عَلَيْهِ شَيْءٌ بِكُلِّ وَاللَّهُ ۚ وَاللَّهُ يُعَلِّمُكُمْ ۚ وَاللَّهُ وَالتَّقْوَىٰ ۚ

“O you who have believed, when you contract a debt for a specified term, write it down. And let a scribe write [it] between you in justice. Let no scribe refuse to write as Allah has taught him. So let him write and let the one who has the obligation dictate. And let him fear Allah, his Lord, and not leave anything out of it. But if the one who has the obligation is of limited understanding or weak or unable to dictate himself, then let his guardian dictate in justice. And bring to witness two witnesses from among your men. And if there are not two men [available], then a man and two women from those whom you accept as witnesses—so that if one of the women errs, then the other can remind her. And let not the witnesses refuse when they are called upon. And do not [be] weary to write it, whether it is small or large, for its [specified] term. That is more just in the sight of Allah and stronger as evidence and more likely to prevent doubt between you—except when it is an immediate

transaction which you conduct among yourselves. For [then] there is no blame upon you if you do not write it. And take witnesses when you conclude a contract. Let no scribe be harmed or any witness. For if you do so, indeed, it is [grave] disobedience in you. And fear Allah. And Allah teaches you. And Allah is Knowing of all things.” (Q.S. Al-Baqarah: 282)

The verse above explains the importance of documentation in financial transactions (*mu'amalah*). In this verse, Allah commands mankind to keep proper administrative records when conducting transactions. This serves to prevent disputes between parties, especially in matters involving debts (Maharani, 2020). Another objective of transaction documentation is to prevent fraud and speculation in financial dealings, both of which are harmful and lead to losses, and are clearly contrary to Islamic teachings.

2.2 Previous Studies

The following are several prior studies that explored similar themes and served as inspiration for the author in conducting this research:

A study titled "Analysis of Bank Health Level Using the RGEC Method at PT. Bank SulutGO for the Period 2012–2016" was published in 2017 in Volume 5 of the *Jurnal Administrasi Bisnis UNSAT*. The aim of this study was to assess the health level of PT. Bank SulutGO for the period of 2014 to 2016 using the same approach employed in this research, namely the RGEC method. The findings indicated that the health level of Bank SulutGO during 2014–2016 was in good condition, with a health percentage above the minimum standard set by Bank Indonesia, which is 8% (Gandawari et al., 2017).

Still utilizing the RGEC method, Chairina et al. (2018) conducted a study entitled "Assessment of Bank Health Level at Bank Syariah Mandiri from 2013 to 2016". The results revealed a decline in the performance of Bank Syariah Mandiri in 2013, primarily due to operating expenses exceeding income. The decline in 2014 was attributed to losses resulting from reduced income and increased operating expenses, despite an increase in total assets. In 2015, the bank's health level was ranked at level 3, categorized as "Fairly Healthy," and in 2016, it improved to level 2, classified as "Healthy."

In 2022, a study titled "Assessment of Bank Persero's Health Level Using the RGEC Method in 2018" was published in the *Indonesian Journal of Business, Accounting and Management*, Volume 4, Issue 1. This research examined the health levels of several state-owned banks (HIMBARA), including Bank Mandiri, BNI '46, Bank Rakyat Indonesia (BRI), and Bank Tabungan Negara (BTN) from 2019 to 2021 using the RGEC method. The study concluded that, based on the Risk Profile, PT Bank Mandiri and PT Bank Tabungan Negara Persero, which recorded an NPL ratio of 2.79%, should exercise greater prudence in lending to reduce the risk of non-performing loans (Suriawinata et al., 2022).

In the same year, the *International Journal of Economics, Business and Accounting Research (IJEBAR)*, Volume 6, Issue 3, published a study titled "Analysis of the Health Level of the State Saving Bank Tbk With the RGEC Method Approach". This research assessed the health level of Bank Tabungan Negara (Persero) Tbk for the period 2019–2021. The Risk Profile component, specifically the NPL ratio, was within the $2\% < \text{NPL} \leq 5\%$ range, earning a composite rating of 2. The liquidity risk assessment, based on the LDR ratio, was rated "Fairly Healthy" during 2020–2021, within the $85\% < \text{LDR} \leq 100\%$ range, earning a composite rating of 3. However, in 2019, the LDR was categorized as "Less Healthy," with a composite rating of 4 (Wanuri et al., 2022).

Jayanthi Shekarmodo Jawotho, in her 2022 journal article titled "Analysis of Banks' Health Before and After Consolidation," stated that differences were observed in the Risk Profile and Capital components before and after the consolidation process. However, no such differences were noted in the GCG and Earnings components. This study aimed to assess the health levels of banks before and after consolidation, using the Risk-Based Bank Rating (RBBR) method rather than the RGEC method (Shekarmodo, 2022).

Also employing the RBBR method, a study titled "Bank Soundness Level Analysis Using the Risk-Based Bank Rating (RBBR) Method at PT Bank Negara Indonesia (Persero) Tbk for the Period 2018–2020" was published in the *International Journal of Management and Economic* in 2022. It concluded that PT Bank Negara Indonesia Persero exhibited a high level of soundness throughout 2018–2020. However, since the study focused on a single bank over a short period, it cannot definitively confirm whether the bank's health level complied with the standards outlined by Bank Indonesia and the Financial Services Authority (Khadijah et al., 2022).

A 2019 study titled "Why do Indonesian Islamic Banks Take the Risk?: The Case of Two Major Islamic Banks" found that credit risk determinants in Islamic commercial banks in Indonesia are significantly associated with rising non-performing financing. Additionally, the growth of Islamic bank assets was not as strong as it was between 2010 and 2014. The study aimed to analyze the impact of bank size, leverage, bank age, competitors, Capital Adequacy Ratio (CAR), and Non-Performing Financing (NPF) on risk-taking behavior in Islamic banks. Risk-taking behavior is also influenced by the Financing Asset Ratio (FAR), which has not been extensively studied, particularly in the Islamic banking industry. This research used cross-sectional data from 2010 to 2017,

sourced from the financial statements of eight Islamic banks in Indonesia: Bank Muamalat Indonesia, Bank Syariah Mandiri, Bank Syariah Mega Indonesia, Bank Syariah Bukopin, Bank Panin Syariah, Bank Rakyat Indonesia Syariah, Bank Central Asia Syariah, and Bank Negara Indonesia Syariah. The findings revealed that bank size and age positively and significantly influence risk-taking, while leverage and competitor banks have a significant negative impact. The variables CAR and NPF had negative but insignificant effects. The study recommended that Islamic banks diversify their risks by introducing new products based on Mudharabah Muqayyadah (Syamlan and Jannah, 2019).

Two years later, a study titled "Credit and Liquidity Risk of Asia Pacific Islamic Banks: Evidence from Indonesia and Malaysia" revealed that in Indonesia, credit risk was primarily influenced by the Capital Adequacy Ratio (CAR), while in Malaysia, it was affected by Third-Party Funds, CAR, bank age, and Return on Assets (ROA). In terms of liquidity risk, both Indonesian and Malaysian Islamic banks relied on Third-Party Funds and ROA. The study acknowledged a limitation in that it only analyzed a limited set of variables, and did not comprehensively apply the RGEC method. The researchers recommended that the Financial Services Authority adopt Syamlan's concept of investment accounts, a theoretical paper proposing the establishment of Sharia Restricted Investment Accounts (SRIA) (Asrianti and Syamlan, 2021).

Another study that inspired the author is one published in 2018, which explored a similar theme to this research, titled "Analysis of the Health Level of Islamic and Conventional Banks", also utilizing the RGEC method. This study, published in a journal by the Faculty of Economics and Business at Jenderal Soedirman University (UNSoed), concluded that there was no significant difference in the overall health levels of Islamic and conventional banks. However, significant differences were found in the Risk Profile and Good Corporate Governance components, while no significant differences were observed in the Earnings and Capital components (Sunarko, 2018).

3. Methodology

This study is classified as an empirical study that aims to determine the cause-and-effect relationship between the independent variables and the dependent variable using time-series data. This research is also categorized as documentary research, which is a type of research where data and information are obtained from institutional documentation sources (Kunandar, 2013).

This study uses a quantitative approach in a comparative form. A quantitative approach is an approach that uses numerical data which is then processed using statistical analysis. Comparative research itself is a type of study that compares variables, where independent variables are still used, but the samples consist of more than one or are observed at different times (time series) (Sugiyono, 2007).

In this study, a comparison is made of the health level of Bank Aceh Syariah before and after adopting Sharia principles, covering the period from 2014 to 2021. This research uses the RGEC method (Risk Profile, Good Corporate Governance, Earning, and Capital), and the data will be analyzed using descriptive statistical tests with the help of SPSS (Statistical Package for Social Science) version 25 for Windows.

After performing calculations and statistical tests, the t-test data or the health test results of Bank Aceh Syariah for the three-year period before (from 2012 to 2016) and three-year period after (2017 to 2021) its conversion to a Sharia bank will be presented in a bank health composite score table using a scale from 1 to 5, where a score of 1 indicates very healthy, 2 healthy, 3 fairly healthy, 4 less healthy, and 5 unhealthy.

4. Discussion

Based on the statistical tests presented in the previous section, it was found that there were a series of increases and decreases in the health level of Bank Aceh Syariah from year to year. Referring to Financial Services Authority Regulation No. 8/POJK.03/2014, the composite values shown in the table carry the following meanings: 1 (one) means that Bank Aceh Syariah holds a Very Healthy status, 2 (two) means Healthy, 3 (three) represents Fairly Healthy, while 4 (four) and 5 (five) are given when the health assessment of Bank Aceh Syariah results in a Less Healthy or Unhealthy status. The average value is obtained by adding the total score from each indicator aspect and then dividing it by the overall value (50).

Credit Risk Measurement (NPF)

The Risk Profile measurement in this study uses credit risk and liquidity risk as its indicators. Referring to Table 10, the calculated ratio of Non-Performing Financing (NPF) over the past decade shows that the credit risk held by Bank Aceh Syariah after its Sharia conversion is very good. The NPF ratio of Bank Aceh Syariah in 2018 was the lowest over the last decade, which stood at 1.05%, meaning that the volume of problematic financing held by Bank Aceh Syariah that year was very low, namely Rp. 139,475,000,000 out of a total of Rp. 13,236,773,000,000.

Liquidity Risk Measurement (FDR)

Referring to Table 11, it is found that after the Sharia conversion in 2016, the liquidity level of Bank Aceh Syariah experienced a very significant increase, if viewed against the standard set by Bank Indonesia for the liquidity level of a healthy bank, which is below 75%. The most optimal point ever achieved by Bank Aceh Syariah was in 2021, at 68.1%, in contrast to what occurred in 2014, where the statistic reached 92.4%.

Self-assessment GCG Measurement

In accordance with the circular letter of the Financial Services Authority, the self-assessment performance of GCG carried out by Bank Aceh Syariah has met all three of its criteria: governance structure, governance process, and governance outcome. Looking at Table 12, it can be concluded that in the last decade, Bank Aceh Syariah has implemented corporate governance generally well, as reflected in the composite GCG score, which on average shows a Healthy rating

Return On Asset (ROA) Measurement

This is a ratio used to measure whether or not a bank can improve profitability and profit efficiency, by showing the ability of capital invested in the bank's total assets. Based on the ratio analysis in Table 13, it is found that there has been a significant decline in the ROA level of Bank Aceh Syariah over the last ten years, with the highest percentage in 2012 and the lowest in 2020. The highest post-tax profit achieved by Bank Aceh Syariah was in 2018, amounting to Rp. 439,433,000,000.

Return On Equity (ROE) Measurement

This is a ratio used to measure whether a bank can provide returns that align with the expectations of investors or shareholders who have invested capital in the company—in this case, Bank Aceh Syariah. Based on the ratio analysis in Table 14, it is found that the ROE ratio of Bank Aceh Syariah from 2012 to 2019 is categorized as very good. According to Bank Indonesia's standard, which is 15%, Bank Aceh Syariah managed to achieve a satisfactory ROE percentage, especially in 2021, with equity reaching Rp. 2,843,682,000,000.

Capital Adequacy Ratio (CAR) Measurement

The assessment of the capital factor refers to the regulation of Bank Indonesia regarding the Minimum Capital Adequacy Requirement (KPMM) for Islamic commercial banks, which ranges between 10% and 11%. Over the past decade, Bank Aceh Syariah has consistently maintained a CAR ratio above 16%. If a bank's CAR exceeds 12%, it can be confirmed that the bank has a very good level of health. Therefore, it can be said that Bank Aceh Syariah has adequate capital sufficiency and already meets the standards set by both Bank Indonesia and the Financial Services Authority.

5. Conclusion

Based on the data analysis in this study, it can be concluded that there is no significant difference in the health level of Bank Aceh Syariah since its conversion to a Sharia-compliant bank in 2016. However, from the ratio analysis, the following points were also found:

1. There has been a consistent decrease in the Non-Performing Financing (NPF) ratio over the years. This can be observed from the 2012 ratio of 3.69%, which improved in quality and reached 1.37% in 2021, indicating enhanced financing quality.
2. The Financing to Deposit Ratio (FDR) showed a significant improvement in liquidity levels following the Sharia conversion in 2016, falling below the healthy threshold of 75%.
3. The ROA ratio experienced a decline after the Sharia conversion in 2016 compared to before the conversion, but it still falls within the Healthy category.
4. The ROE ratio remained relatively stable throughout the period from 2012 to 2021, although it showed a notable decline during the last two periods. Nevertheless, it still falls within the Healthy category.
5. The GCG (Good Corporate Governance) factor showed consistent improvement year after year. Specifically, Bank Aceh Syariah maintained a healthy level of GCG, with an average composite rating of 2.
6. The Capital Adequacy Ratio (CAR) of Bank Aceh Syariah over the last decade has remained at a very healthy level, as evidenced by its composite rating consistently positioned at level 1.

From the above description, it can be concluded that Bank Aceh Syariah has maintained a very good health level over the past ten years.

References

- Abdurrachman, A. 1982. *Ensiklopedia, Ekonomi, Keuangan Dan Perdagangan*. 3rd ed. Jakarta: Pradnya Parmita.
- Ade Oki Supirto. 2021. "Analisis Metode RGEC (Risk Profile, Good Corporate Governance, Earnings, Capital) Untuk Mengukur Kinerja Keuangan Pada PT. Bank SUMUT Kantor Pusat Medan." *Universitas Pembangunan Panca Budi* (1): 1–14.
- Agoes, S. 2011. *Etika Bisnis Dan Profesi*. Jakarta: Salemba Empat.
- Andy, Mahmud Siregar, Suhaidi, and Jelly Leviza. 2014. "Peranan Manajemen Risiko Dalam Tugas Dan Tanggung Jawab Direksi Bank Berdasarkan Peraturan Perundang-undangan Di Indonesia." *USU Law Journal* II(1): 169–85.
- Antonio, Muhammad Syafi'i. 2001. *Bank Syariah : Dari Teori Ke Praktik*. Jakarta: Gema Insani Press.
- Asrianti, Resi, and Yaser Taufik Syamlan. 2021. "Credit & Liquidity Risk of Asia Pacific Islamic Bank: Evidence from Indonesia & Malaysia." *Airlangga International Journal of Islamic Economics and Finance* 4(1): 68.
- Bambang Sunarko, Yayat Giyatno Bella Puspita Sugari. 2018. "Analisis Tingkat Kesehatan Bank Syariah Dan Konvensional Dengan Menggunakan Metode Rgec (Risk Profile , Good Corporate Governance , Earnings , Dan Capital)." *Fakultas Ekonomi dan Bisnis Unsoed (Universitas Jendral Sudirman) dan Presding*: 1.
- Danim, S., and Darwis. 2003. *Metode Penelitian Kebidanan: Prosedur, Kebijakan Dan Etik*. Jakarta: EGC.
- Dantes. 2012. *Metode Penelitian*. Yogyakarta: Andi.
- Dra. Hj. Noorwahidah, M.ag. 2021. 6 *Jurnal Penelitian Pendidikan Guru Sekolah Dasar Dalil-Dalil Hukum Keuangan Syariah*. H. A. Hafi. Yogyakarta: Bildung.
- Efendi, Sugito. 2021. "Penilaian Kinerja Keuangan Berdasarkan Peraturan Bank Indonesia." *Jurnal Ilmiah Akuntansi Dan Keuangan* 04(01): 27–39.
- Eva Khadijah, and Dhea Afifah. 2022. "Bank Soundness Level Analysis Using Method Risk-Based Bank Rating (RBBR) at PT Bank Negara Indonesia (Persero), Tbk Period 2018-2020." *International Journal Management and Economic* 1(2): 39–48.
- Fauziah, Fenty, and Rinda Sandaya Karhab. 2019. "Pelatihan Pengolahan Data Menggunakan Aplikasi SPSS Pada Mahasiswa." *Jurnal Pengabdian Untuk Kesejahteraan umat* 1(2): 129–36.
- Gandawari, Yeusy, William A. Areros, and Dantje Keles. 2017. "Analisis Tingkat Kesehatan Bank Menggunakan Metode Rgec Pada Pt. Bank Sulutgo Periode 2014-2016." *Jurnal Administrasi Bisnis Unsrat* 5: 8.
- Handayani, W. 2007. *Model Komitmen Keterhubungan Jasa Akuntan Publik Dengan Pelanggannya Di Indonesia*. Surabaya: Fakultas Ekonomi Jurusan Manajemen Universitas Pembangunan Nasiona.
- Hasibuan, H., and S.P Masayu. 2006. *Dasar-Dasar Perbankan*. 5th ed. Jakarta: Bumi Aksara.
- Husain, Muhammad Rizky, Nor Hikmah, and Chairina Chairina. 2018. "Penilaian Tingkat Kesehatan Bank Syariah Mandiri: Pendekatan Metode Rgec (Risk Profile, Good Corporate Governance, Earning Dan Capital)." *MALIA: Journal of Islamic Banking and Finance* 2(1): 69.
- Ikatan Akuntan Indonesia. 2007. "Standar Akuntansi Keuangan." In Jakarta: Ikatan Akuntan Indonesia.
- Ilyas, Rahmat. 2021. "Peran Dewan Pengawas Syariah Dalam Perbankan Syariah." *JPS (Jurnal Perbankan Syariah)* 2(1): 42–53.
- Irham Fahmi, and Muslim A. Djalil. 2014. *Pengantar Perbankan Teori & Aplikasi*. Bandung: Alfabeta.
- Kasmir. 2012. *Bank Dan Lembaga Keuangan Lainnya*. 17th ed. Jakarta: PT Raja Grafindo persada.
- Kunandar. 2013. *Penelitian Autentik*. Jakarta: Rajawal Pers.
- Maharani, Dewi, and Taufiq Hidayat. 2020. "Bank Dan Lembaga Keuangan Syariah Dalam Perspektif Al-Qur'an." *MALIA: Journal of Islamic Banking and Finance* 4(1): 50.
- Mahmudah, NSAN, A F I Himawan, and ... 2022. "Analisis Tingkat Kesehatan Bank Dengan Metode CAMEL Pada Laporan Keuangan PT. BPRS LT." *ILTIZAM Journal of Sharia Economic Research* 6(2): 267–78. <https://ejournal.lp2m.uinjambi.ac.id/ojs/index.php/iltizam/article/view/1534%0A>
- Muhith, Abdul. 2012. "Sejarah Perbankan Islam." *Attanwir: jurnal kajian keislaman dan pendidikan* 01(02): 70–84. http://www.maybank2u.com.my/iwov-resources/islamic-my/document/my/en/islamic/scoe/knowledgecentre/articles/Sejarah_Pebankan_Islam.pdf.
- Munawir, S. 2004. *Analisa Laporan Keuangan*. 4th ed. Yogyakarta: Liberty Yogyakarta.
- Permana, Bayu A. 2015. "Analisis Tingkat Kesehatan Bank Berdasarkan Metode CAMELS Dan Metode RGEC." *Universitas Negeri Surabaya*: 1–21.
- Pitasari, Unik, Slamet Sentosa, and Amru Sukmajati. 2016. "Pengaruh Komptisi Bank Terhadap Stabilitas Keuangan Perbankan." *STIE Swasta Mandiri* 1(1): 1–17.
- Riza, Dachlevie, Iman Suriawinata, and Muhammad Anhar. 2022. "Assessment of Bank Persero's Health Level

- Using The RGEC Method In 2018.” Indonesian Journal of Business, Accounting and Management 4(01): 1–6.
- Sarah, Amelia Siti, and Windi Noianti. 2017. “Penllalan Tingkat Kesehatan Bank Negara Lndonesia Dengan Mengukur Earnlng Dan Likuldltas (Studi Kasus Pada Bursa Efek Lndonesia Periode 2013-2017).” Program Studi Keuangan dan Perbankan, Fakultas Ekonomi dan Bisnis Universitas Komputer Indonesia: 1–8.
- Shekarmodo Jawotho, Jayanthi. 2022. “Analysis of Banks’ Health Before and After Consolidated.” Budapest International Research and Critics Institute-Journal: 7100–7108. <https://doi.org/10.33258/birci.v5i1.4440>.
- Sugiyono, P Dr. 2007. Metode Penelitian Kuantitatif, Kualitatif, Dan R&D. Bandung: Alfabeta.
- Suryani, Suryani. 2012. “Sistem Perbankan Islam Di Indonesia: Sejarah Dan Prospek Pengembangan.” Muqtasid: Jurnal Ekonomi dan Perbankan Syariah 3(1): 111.
- Susetyo, Budi. 2012. Statistika Untuk Analisis Data Penelitian. Bandung: PT Refika Aditama.
- Tarmidi, Lepi T. 2003. “Krisis Moneter Indonesia: Sebab, Dampak, Peran IMF Dan Saran. Buletin Ekonomi Moneter Dan Perbankan.” Buletin Ekonomi Moneter dan Perbankan 1(4): 1–25. <https://bmeb.researchcommons.org/bmeb/vol1/iss4/6/>.
- Syamlan, Yaser Taufik, and Wardatul Jannah. 2019. “The Determinant of Credit Risk in Indonesian Islamic Commercial Banks.” Share: Jurnal Ekonomi dan Keuangan Islam 8(2): 181–206.
- Taswan. 2019. Akuntansi Perbankan: Traksaksi Dalam Valuta Rupiah. 3rd ed. Yogyakarta: UPP STIM YKPN.
- Taufik Syamlan, Yaser, and Ar Rizal Azinuddin. 2019. “Why Do Indonesian Islamic Banks Take the Risk?: The Case of Two Major Islamic Banks.” International Journal of Islamic Economics and Finance (IJIEF) 1(2): 187–208.
- Tomi. 2016. Belajar Analisis Regresi Sederhana. Pontianak: Tom's Book Publishing.
- Triandaru, Sigit, Totok Budisantoso, and Stefanus Rahoyo. 2006. Bank Dan Lembaga Keuangan Lain. Jakarta: Salemba Empat.
- Ulum, Fahrur. 2015. Sejarah Pemikiran Ekonomi Islam (Analisis Pemikiran Tokoh Dari Masa Rasulullah SAW Hingga Masa Kontemporer). Surabaya.
- Wahasusmiah, Rolia, and Khoiriyah Rahma Watie. 2018. “Metode Rgec : Penilaian Tingkat Kesehatan.” I-Finance 04(02): 170–84.
- Wanuri, Wachidah Fauziyanti, Cahya Tunggal Sari, and T. 2022. “Analysis of the Health Level Of the State Saving Bank Tbk With the RGEC Method Approach (Risk Profile, Good Corporate Governance, Earning, Capital).” Internationals Journal of Economics, Business and Accounting Research (IJEBAR) 6(3): 1485–94. www.btn.co.id/.
- Zahrawani, Devi Rizki, and Nining Sholikhah. 2021. “Analisis Penerapan Good Corporate Governance (GCG) Dan Pengaruhnya Terhadap Kinerja Lembaga Bank Syariah.” 7(03): 1799–1818.