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Comparative Analysis of the Health Level of Government Banks Before and After the Covid-19 Pandemic Registered in IDX 2017-2023 with the Rgec Method

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ABSTRACT: This study analyzes the comparison of the health level of state banks in Indonesia before and after the COVID-19 pandemic using the RGEC (Risk Profile, Good Corporate Governance, Earning, Capital) method during the 2017-2023 period. The data used comes from the financial statements of banks listed on the Indonesia Stock Exchange (IDX). The results showed that the pandemic had a significant impact on bank performance, especially on the Earning aspect which experienced a drastic decline. Meanwhile, the Risk Profile aspect recorded a change in risk management, which is a major concern for bank management. Good Corporate Governance and Capital showed positive stability during the period, indicating that the bank continued to implement good governance principles. This study emphasizes the importance of periodic evaluation of bank soundness to understand the impact of the crisis and support better risk mitigation strategies. The findings are expected to serve as a reference for stakeholders in making the right decisions to maintain the health and performance of banks in the future, especially in facing new challenges post-pandemic.

INTRODUCTION

The COVID-19 pandemic that began sweeping the world in early 2020 has had a significant impact on various sectors, including the banking sector in Indonesia. According to the World Health Organization (WHO, 2020), this pandemic not only affects public health, but also shakes the stability of the global economy, including the financial system. In the Indonesian context, the banking sector, which is the backbone of the economy, must face severe challenges in maintaining its financial performance and health (Murhadi, 2019). Bank health is an important indicator that reflects the bank's ability to manage risk and meet its financial obligations. Assessment of bank health can be done through analysis of relevant financial ratios, which include credit risk, liquidity, and profitability (Seto & Septiani, 2021). The bank's financial statements provide a clear picture of its performance and financial condition, which must be evaluated regularly. This becomes more crucial in the midst of a crisis situation such as the COVID-19 pandemic that affects bank operations and performance (Alisya, 2022).

The RGEC method (Risk Profile, Good Corporate Governance, Earning, Capital) is an approach used to assess bank health in Indonesia. Based on Bank Indonesia Regulation No. 13/1/PBI/2011, this method replaces the previously used CAMELS approach and offers a more comprehensive evaluation (Nasional et al., 2017). By assessing four main aspects, RGEC is expected to provide a clearer picture of the soundness of state-owned banks. During the period 2017-2023, state-owned banks in Indonesia, including Bank Rakyat Indonesia, Bank Mandiri, Bank Negara Indonesia, and Bank Tabungan Negara, were the subject of this study. This study aims to analyze the comparison of the health levels of state-owned banks before and after the COVID-19 pandemic, in order to understand the impact of the crisis (Fatimah et al., 2023).

The background of this study focuses on the importance of maintaining the health of the banking sector in order to continue to function as a financial intermediary, which is essential for the country's economy. With a large number of banks operating in Indonesia, it is important to evaluate the performance and health of banks in order to compete and meet the needs of the community (Badan Pusat Statistik, 2024). In this context, this study will use the financial statement data of banks listed on the Indonesia Stock

Exchange (IDX) for the period 2017-2023. The data will be analyzed using the RGEC method to assess bank health from various aspects, including risk, governance, earnings, and capital (Kasmir, 2016).

The purpose of this study is to provide a better understanding of how the COVID-19 pandemic affects the health of state-owned banks. This assessment will help bank management in formulating the right strategy to face future challenges (Arrizky, 2022). Meanwhile, the benefits of this research are expected to contribute to related parties, including investors, academics, and the general public. This research also aims to be a reference for future research that focuses on bank health in Indonesia (Indriyani et al., 2019). Thus, this study not only focuses on quantitative analysis, but also provides insights into best practices that can be implemented by banks to improve performance and sustainability in the future. This research is expected to provide useful recommendations for bank management in maintaining their health and performance, especially in facing new challenges post-pandemic (Sari et al., 2023).

LITERATURE REVIEW

The level of bank health is an important aspect in determining the stability of a country's financial system. According to Murhadi (2019), bank health can be measured through various financial ratios that reflect the bank's ability to manage its assets and liabilities. Bank health assessment is not only important for internal management, but also for investors and the public who rely on bank compliance as a financial institution. Bank Indonesia Regulation No. 13/1/PBI/2011 regulates the commercial bank soundness assessment system, which focuses on four main factors: Risk Profile, Good Corporate Governance, Earning, and Capital (BI, 2011). This approach replaces the previously used CAMELS method, which measures bank soundness based on six criteria. The RGEC method promises a more comprehensive evaluation in the context of the risks faced by banks.

The Risk Profile includes an analysis of the credit and liquidity risks faced by the bank. NPL (Non-Performing Loan) is an important ratio used to measure asset quality and the bank's ability to manage credit risk (Kasmir, 2016). A study by Korompis et al (2015) shows that banks with low NPL ratios tend to be healthier and able to provide good quality loans. Good Corporate Governance (GCG) is also a crucial factor in assessing bank health. According to Rhoades and Eisenberger (2002), the implementation of good GCG principles helps increase stakeholder confidence and supports the continuity of bank operations. Research by Indriyani (2019) confirms that effective GCG implementation can contribute to better financial performance.

Earning, which is measured through ROA (Return on Assets) and NIM (Net Interest Margin) ratios, is an important indicator in assessing bank profitability. ROA shows the bank's efficiency in generating profits from its assets (Kasmir, 2016). Research by Fatimah et al. (2023) shows that banks with high ROA tend to perform better in crisis situations. The Capital aspect, measured through CAR (Capital Adequacy Ratio), shows the bank's ability to bear the risk of loss (Bank Indonesia, 2011). A high CAR value gives a positive picture of the health of bank capital, and research by Sari et al. (2023) found that banks with CAR above the minimum standard have better resilience to risk.

The COVID-19 pandemic has had a significant impact on bank health, especially in the aspect of Earning. A study by Fatimah et al. (2023) noted a significant decline in banks' financial performance during the pandemic, emphasizing the importance of continuous evaluation of bank health. This study is in line with previous findings by Alisya (2022), which showed that the pandemic affected the overall profitability of banks. In the context of banking in Indonesia, state-owned banks have an important role in maintaining economic stability. According to data from Bank Indonesia (2024), state-owned banks such as BRI, Mandiri, and BNI show relatively stable performance despite the disruption caused by the pandemic. Research by Arrizky (2022) states that these banks managed to maintain their financial health through proper risk management.

Overall bank health assessment must be carried out thoroughly, taking into account all aspects that affect bank performance. This study aims to provide a clearer picture of the impact of the COVID-19 pandemic on the health of state-owned banks in Indonesia, as well as to provide recommendations for management to implement better risk mitigation strategies in the future. By integrating all the factors that have been discussed, this study is expected to make a significant contribution to the literature on bank health and serve as a reference for future research.

RESULTS AND DISCUSSION

The results of the analysis show that the health level of state-owned banks listed on the Indonesia Stock Exchange during the 2017-2023 period can be measured using the RGEC (Risk Profile, Good Corporate Governance, Earning, Capital) method. This study produces relevant financial ratios to identify healthy banks before and after the COVID-19 pandemic. The results show that despite the negative impact of the pandemic, the banks were still able to maintain a good level of health. From the Risk Profile aspect, the Non-Performing Loan (NPL) ratio shows that the average NPL of state-owned banks is in the healthy category, with values ranging from 2.1% to 3.32% during the period studied (Bank Indonesia, 2021). The decline in NPLs in 2023 shows management's efforts to manage credit risk effectively, which is in line with Kasmir's (2016) research which states that a low NPL ratio reflects good credit management.

Meanwhile, the Loan to Deposit Ratio (LDR) shows that state banks have sufficient liquidity to meet short-term obligations. The LDR of these banks is within the range that is considered quite healthy, although there are some fluctuations (Kasmir, 2016).

This result supports previous findings by Korompis et al. (2015) which show that good liquidity management is important to maintain bank health. From the aspect of Good Corporate Governance (GCG), the Corporate Governance Perception Index (CGPI) value shows a positive performance. The average CGPI value above 89% during the 2017-2023 period indicates that state banks have implemented GCG principles well (Bank Indonesia, 2011). This is in line with the research of Rhoades and Eisenberger (2002) which emphasizes that good GCG implementation can increase stakeholder trust.

The Earning aspect, measured through Return on Assets (ROA) and Net Interest Margin (NIM), shows that state banks are still able to generate good profits. The average ROA above 2% during the 2017-2023 period shows efficiency in using assets to generate profits (Kasmir, 2016). Research by Fatimah et al. (2023) also shows that banks with high ROA tend to perform better in crisis situations. However, NIM values showed fluctuations, especially in 2020 due to the impact of the pandemic. Nonetheless, NIM remained above 5%, indicating banks' ability to generate good interest income from their productive assets (Bank Indonesia, 2021). Research by Sari et al. (2023) confirms that a high NIM is an indicator of good management in managing loan and investment portfolios. From the Capital aspect, the Capital Adequacy Ratio (CAR) shows that state banks have good capital adequacy. The average CAR above 20% during the period 2017-2023 indicates that the bank is able to bear the risk of loss and meet the minimum capital requirements set by Bank Indonesia (Bank Indonesia, 2011). Research by Arrizky (2022) reinforces that banks with high CAR show better resilience to risk.

After comparing the results before and after the pandemic, it was found that despite a decline in some ratios, state banks remained in the healthy category. This suggests that they are able to adapt to the changes brought about by the COVID-19 pandemic. Research by Indriyani et al. (2019) shows that the implementation of good risk mitigation and management strategies is essential in maintaining bank health. Overall, the results of this study show that state-owned banks in Indonesia remain healthy despite facing challenges due to the pandemic. This finding is relevant to the results of a previous study by Fatimah et al. (2023) which showed that banks must continue to improve risk management and GCG implementation to maintain financial soundness.

Therefore, it is important for banks to periodically evaluate their soundness and implement best practices in risk management. The results of this study are expected to be a reference for bank management and stakeholders in making the right decisions to maintain the health and performance of banks in the future.

CONCLUSIONS AND SUGGESTIONS

Conclusion

The following conclusions can be drawn from the findings of a study that used the RGEC method to compare the health of state-owned banks before and after the COVID-19 pandemic: Non-Performing Loan (NPL) and Loan to Deposit Ratio (LDR) ratios indicate that government commercial banks' credit health is in the healthy category from 2017 to 2023. Banks are still able to effectively manage credit risk, despite a minor increase in non-performing loans following the pandemic. Furthermore, the Corporate Governance Perception Index (CGPI) score indicates that state-owned banks continue to fall into the very healthy category and effectively implement GCG principles. Stakeholder confidence has increased thanks in large part to the GCG implementation. Additionally, during the study period, the Return on Assets (ROA) and Nett Interest Margin (NIM) ratios demonstrated extremely sound performance. State banks were still very profitable in spite of the downturn. The Capital Adequacy Ratio (CAR), which measures a bank's capacity to withstand risk, then demonstrates that state banks have good capital adequacy, with values above the minimal requirements set by Bank Indonesia. Despite some difficulties brought on by the pandemic, state-owned banks' overall health level from 2017 to 2023 remains in the very healthy range. In the face of shifting economic conditions, these banks exhibit remarkable resilience.

Suggestions

The author offers the following recommendations for bank management in light of the aforementioned findings: In order to prevent non-performing loans, bank management should increase lending in order to preserve and enhance credit quality. Staff members must receive risk management and GCG principle application training and capacity building. To make sure that banks can continue to meet health standards and operate at their best, Bank Indonesia is probably going to keep conducting routine supervision and assessments of banks' health. the requirement for regulations that help banks control risk and raise the standard of services they provide to the public. To obtain a more complete picture of bank health trends, more research is advised to extend the analysis period past 2023. For a more comprehensive comparison of the financial health of the Indonesian banking industry as a whole, research encompassing private and Islamic banks may also be undertaken. In order to make better decisions regarding investments and banking service utilisation, stakeholders are also anticipated to be more proactive in their pursuit of information regarding bank performance. It is therefore hoped that this research will serve as a resource for all parties involved in preserving and enhancing the well-being of Indonesia's banking industry.

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