ANALYSIS OF BANK HEALTH LEVEL USING RGEC METHOD AT PT BANK NEGARA INDONESIA (PERSERO) Tbk

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ABSTRACT

This study aims to determine the health level of PT Bank Negara Indonesia (Persero) Tbk for the 2021-2023 period in terms of Risk profile, Good Corporate Governance (GCG), Earnings, Capital, and RGEC (Risk profile, GCG, Earnings, and Capital) as a whole. This type of research is quantitative using secondary data sources in the form of financial reports of PT Bank Negara Indonesia (Persero) Tbk for the 2021-2023 period. The data analysis technique used is bank health analysis with the Risk (Risk-based Bank Rating) RGEC approach. The results of the study show that during the 2021-2023 period: (1) The Risk Profile Aspect of PT Bank Negara Indonesia (Persero) Tbk for the 2021-2023 period was in a healthy condition with an average NPL value of 4.05%; 3.05%; 2.32% and LDR of 72.98%; 77.45% and 5% percent. The GCG aspect is in a healthy condition with a composite value of 2, (3) The Earnings aspect in the form of ROA and NIM is in the very healthy category with an average ROA value of 1.35%, 2.27% and 2.42%, and NIM of 5.5%; 6.22% and 5.87% with a very healthy category. The Capital aspect is in a very healthy condition with an average CAR value of 19.3%; 19.27% and 21.95%. The RGEC aspect as a whole is in a Composite Ranking of 1, which is very healthy. The results of the study show that during 2021-2023 PT Bank Negara Indonesia (Persero) Tbk obtained a Composite Ranking (PK) of 1 or very healthy

Keywords: : Risk Profile, Good Corporate Governance, Earnings, Capital, Tingkat Kehealthyan Bank)

INTRODUCTION

Banking is an industry engaged in finance and plays an important role in people's lives. Banks are one of the industries engaged in finance and have an important role in people's lives. According to Law Number 10 of 1998 Article 1 Paragraph 2 concerning banking, "Bank is a business entity that collects funds from the public in the form of deposits and distributes them to the public in the form of credit or other forms in order to improve the lives of many people." Economic and development activities in Indonesia are closely related to banking. The role of banking in a country's economy as an intermediary institution is increasingly important in the era of globalization (Indra, Suhendra, and Ronaldo, 2017). As an intermediary institution, and the support of the nation's economic activities, banks must pay attention to their health level. Information on the level of bank health is needed by various parties related to both parties from within the bank itself and parties from outside the bank to evaluate the bank's performance in applying the principles of prudence, compliance with applicable regulations and risk

management. Bank health assessment is very important because banks manage funds from the public entrusted to banks. PT Bank Negara Indonesia (Persero) Tbk, which was established in 1946, is one of the banks owned by the government in the form of a State-Owned Enterprise (BUMN). The role of PT Bank Negara Indonesia (Persero) Tbk which is very large in the Indonesian economy and as a company directly managed by the government, it is hoped that BUMN commercial banks will be able to improve or maintain their performance to the maximum so that it will have a positive effect on the national economy as a whole. Based on the background of the problems described above, the authors are interested in conducting research with the title "Analysis of the Health Level Assessment of PT Bank Negara Indonesia (Persero) Tbk Using the RGEC Method (Risk Profile, Good Corporate Governance, Earning and Capital)".

LITERATURE REVIEW

Bank

A bank is a financial institution whose main activity is collecting funds (funding) such as current accounts, savings, and deposits and distributing them (lending) again using credit. Banking activities are always related to the financial sector (Hery, 2019:3). In general, the main function of a bank is to collect funds from the public and distribute them back to the public for various purposes or as a Financial Intermediary.

Bank Health

Bank health is the result of an assessment of various factors that influence the health and performance of a bank. Assessment of these factors is carried out by quantitative or qualitative assessment and assessment factors and the influence of other factors such as banking and economic conditions. Bank health is also the bank's ability to carry out normal banking operations and be able to fulfill obligations properly and in ways that are in accordance with applicable banking regulations (Vivin & Wahono, 2015). For banking, the final results of the bank's condition assessment can be used as a means of determining business strategies in the future, while for Bank Indonesia it can be used as a means of determining and implementing bank supervision strategies by Bank Indonesia. The classification of bank health levels is divided into five categories, namely: very healthy, healthy, fairly healthy, less healthy, and unhealthy.

RGEC Method

In Bank Indonesia Regulation (PBI) No.13/1/PBI/2011 concerning the assessment of the Health Level of General Banks, the RGEC Method (Risk Profile, Good Corporate Governance, Earnings, and Capital) is used to assess the health level of a bank.

1. Risk Profile (Risk Profile), consists of:

    a. Credit Risk is a risk that is a result of the failure of the debtor or other party to fulfill obligations to the bank. Credit risk can be calculated by the NPL (Non Performance Loan) ratio with the following formula:

$$NPL \frac{non \, performing \, loans}{Total \, credit} x 100\%$$

Source: SEOJK No 14/SEOJK.03/2017

b. Liquidity risk is the risk resulting from the bank's inability to meet maturing liabilities from cash flow funding sources, and/or from high-quality liquid assets that can be used, without disrupting the bank's activities and financial conditions (SEOJK No. 14/SEOJK.03/2017). Liquidity risk is calculated by the LDR (Loan to Deposit Ratio) ratio with the following formula:

$$LDR \frac{total \, credit}{third \, party \, funds} x 100\%$$

Source: SEOJK No 14/SEOJK.03/2017

Table 1. NPL Composite Rating

Rating	Weight	description
1.	Very Healthy	0% < NPL ≤ 2%
2.	Healthy	2% < NPL ≤ 3,5%
3.	Fairly Healthy	3,5% < NPL ≤ 5%
4.	Less Healthy	5% < NPL ≤ 8%
5.	Not Healthy	>8%

Source: SEOJK No 14/SEOJK.03/2016

Table 2. Weight LDR Composite rating assignment

Rating	Weight	description
1.	Very Healthy	50% < LDR ≤ 75%
2.	Healthy	75% < LDR ≤ 85%
3.	Fairly Healthy	85% < LDR ≤ 100%
4.	Less Healthy	100% < LDR ≤ 120%
5.	Not Healthy	LDR > 120%

Source: SEOJK No 14/SEOJK.03/2016

2. Good Corporate Governance (GCG)

Good Corporate Governance is an assessment of the quality of bank management in implementing governance principles. Measuring aspects of Good Corporate Governance uses the self-assessment method or self-assessment of general banks. In good corporate governance there are 5 (five) principles consisting of: (1) Transparency, (2) Accountability, (3) Responsibility, (4) Independence, (5) Fairness

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Tabel 3 Weight of GCG Composite Rating Determination

Rating	Description	Weight
1.	Very Healthy	81% ≤ GCG ≤ 100%
2.	Healthy	61 % ≤ GCG ≤ 80%
3.	Fairly Healthy	41 % ≤ GCG ≤ 60%
4.	Less Healthy	21% ≤ GCG ≤ 40%
5.	Not Healthy	0% ≤ GCG ≤ 20%

Source : SEOJK No 14/SEOJK.03/2016

3. Rentability (Earnings)

Rentability (Earnings) is one of the assessments of bank health from the profitability side. This assessment aims to determine the bank's ability to generate profits during a certain period and measure the level of management effectiveness in running the company's operations. The profitability aspect can be calculated using the following ratios:

a. Return on Assets (ROA)

Return on Assets (ROA) is a ratio that assesses the company's ability to generate profits by using all existing assets (Indonesian Bankers Association, 2016: 151). ROA can be calculated using the following formula:

$$ROA \frac{Laba\ Sebelum\ Pajak}{Rata - Rata\ Aset} x100\%$$

Sumber : SEOJK No 14/SEOJK.03/2017

Table 4 Weight of ROA Composite Rating Determination

Rating	Weight	Description
1.	Very Healthy	>1,5%
2.	Healthy	1,25% < ROA ≤ 1,5%
3.	Fairly Healthy	0,5% < ROA ≤ 1,25%
4.	Less Healthy	0% < ROA ≤ 0,50%
5.	Not Healthy	< 0

Source : SEOJK No 14/SEOJK.03/2016

b. Net Interest Margin (NIM)

Net Interest Margin (NIM) is a ratio used to measure the level of profitability, namely the level of bank effectiveness between net interest income compared to average productive assets. NIM can be calculated using the following formula:

$$NIM \frac{Net\ Interest\ Income}{Average\ Earning\ Assets} x100\%$$

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Source : SEOJK No 14/SEOJK.03/2017

Table 5 Weight of NIM Composite Rating Determination

Rating	Description	Weight
1.	Very Healthy	>3%
2.	Healthy	2% < NIM≤ 3%
3.	Fairly Healthy	1,5% < NIM≤ 2%
4.	Less Healthy	1% < NIM≤ 1,5%
5.	Not Healthy	≤ 1%

Source : SEOJK No 14/SEOJK.03/2016

4. Capital

Assessment of capital factors includes evaluation of capital adequacy and capital management adequacy (SEOJK No. 14/SEOJK.03/2017). The ratio used to measure capital factors is the Capital Adequacy Ratio (CAR). Capital Adequacy Ratio (CAR) or capital adequacy ratio is the ratio between capital and risk-weighted assets. The formula for CAR is as follows:

$$CAR \frac{Capital}{Risk\ Weighted\ Assets} x100\%$$

Sumber : SEOJK No 14/SEOJK.03/2017

Table 6 Weighting of CAR Composite Ratings

Rating	Description	Weight
1.	Very Healthy	>12%
2.	Healthy	9% ≤CAR < 12%
3.	Fairly Healthy	8% ≤CAR <9%
4.	Less Healthy	6% ≤CAR < 8 %
5.	Not Healthy	≤ 6%

Source : SEOJK No 14/SEOJK.03/2016

METHODS

Population

The population in this study is the financial statements of PT Bank Negara Indonesia (Persero) Tbk for the period 2021-2023. The sample in this study is the financial position report, profit and loss report and notes to the financial statements at PT Bank Negara Indonesia (Persero) Tbk for the period 2021-2023. This research is a type of quantitative research that uses secondary data sources in the form of financial reports of PT Bank Negara Indonesia (Persero) Tbk for the 2021-2023 period.

The steps used to assess the level of bank health for each factor and its components are as follows: (1) Collecting data from the financial reports of PT Bank Negara Indonesia Tbk

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for the 2021-2023 period. (2) Analysis of Risk Profile, Good Corporate Governance (GCG), Resilience (Earning) and Capital. (3) Ranking each analysis of Risk Profile, Good Corporate Governance (GCG), Resilience (Earning) and Capital. (4) Determining the composite rating of the health assessment of PT Bank Negara Indonesia for the 2021-2023 period. (5) Drawing conclusions regarding the level of bank health in accordance with the bank health calculation standards determined by Bank Indonesia

RESULTS AND DISCUSSION

1. Health Level of PT Bank Negara Indonesia (Persero) Tbk in 2021)

Table 7 Bank Health Level Assessment based on RGEC Aspects in 2021

No	Aspect	Result	Criteria					Predicate	Ket	PK
			1	2	3	4	5			
1	*Risk Profile:*									
	NPL	4,05%			√			Healthy Enough	Healthy	Very healthy
	LDR	72,98%	√					Very healthy		
2	*Good Corporate Geovernance:*									
	Self Assessment	Healthy		√				Healthy	Healthy	
3	*Earnings:*									
	ROA	1,35%		√				Healthy	Very healthy	
	NIM	5,50%	√					Very healthy		
4	*Capital:*									
	CAR	19,3%	√					Very healthy	Very healthy	
	Composite Value		**15**	**8**	**3**	—	—	$\frac{26}{30}$x100% = 86,66%		

The RGEC aspect in 2021 of PT Bank Negara Indonesia (Persero) Tbk obtained an actual value of 26. This value was obtained from PK 1 which had a value of 15 (the value was obtained from the LDR ratio, NIM ratio, and CAR ratio), PK 2 had a value of 8 (the value was obtained from the Self Assessment and ROA ratio) and PK 3 which had a value of 3 (the value was obtained from the NPL ratio).

PT Bank Negara Indonesia (Persero) Tbk in 2021 received a percentage value of 86.66% and obtained a composite rating of 1 categorized as Very Healthy. PT Bank Negara Indonesia (Persero) Tbk is considered very capable of facing significant negative impacts from changes in business conditions and other external factors, reflected in the rating of assessment factors including risk profile, GCG implementation, profitability and capitalization which are generally very good.

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2. Health Level of PT Bank Negara Indonesia (Persero) Tbk in 2022

Table 8 Assessment of Bank Health Level based on RGEC Aspects in 2022

N o	Aspctk	Redu lt	Criteria					Predicate	Ket	PK
			1	2	3	4	5			
1	*Risk Profile:*									
	NPL	3,05%		√				Healthy	Healthy	Very healthy
	LDR	77,46 %		√				Healthy		
2	*Good Corporate Geovernance:*									
	Self Assessment	Healt hy		√				Healthy	Healthy	
3	*Earnings:*									
	ROA	2,27%	√					Very healthy	Very healthy	
	NIM	6,22%	√					Very healthy		
4	*Capital:*									
	CAR	19,27 %	√					Very healthy	Very healthy	
Composite Value			15	12	—	—	—	$\frac{27}{30}$x100% = 90%		

Based on the table above, the RGEC aspect in 2022 of PT Bank Negara Indonesia (Persero) Tbk obtained an actual value of 27. This value was obtained by PK 1 which was worth 15 (the value was obtained from the ROA ratio, NIM ratio, and CAR ratio), PK 2 was worth 12 (the value was obtained from the NPL ratio, LDR ratio, and Self Assessment).

PT Bank Negara Indonesia (Persero) Tbk in 2022 obtained a percentage value of 90% and obtained a composite rating of 1 categorized as Very Healthy. PT Bank Negara Indonesia (Persero) Tbk is considered very capable of facing significant negative influences from changes in business conditions and other external factors reflected in the rating of assessment factors including risk profile, GCG implementation, profitability and capitalization which are generally very good

3. Health Level of PT Bank Negara Indonesia (Persero) Tbk in 2023

Table 9 Assessment of the Bank's Healthiness Level based on RGEC Aspects in 2023

No	Aspect	Redult	Criteria					Predicate	Ket	PK
			1	2		4	5			
1	*Risk Profile:*									
	NPL	2,32%		√				Healthy	Healthy	
	LDR	79,92%		√				Healthy		
2	*Good Corporate Geovernance:*									
	Self Assessment	Healthy		√				Healthy	Healthy	
3	*Earnings:*									Very healthy
	ROA	2,42%	√					Very healthy	Very healthy	
	NIM	5,87%	√					Very healthy		
4	*Capital*									
	CAR	21,95%	√					Very healthy	Very healthy	
	Composite value		**15**	**12**		—	—	$\frac{27}{30}$**x100**% **= 90**%		

Based on the table above, the RGEC aspect in 2023 of PT Bank Negara Indonesia (Persero) Tbk obtained an actual value of 27. This value was obtained by PK 1 which was worth 15 (the value was obtained from the ROA ratio, NIM ratio, and CAR ratio), PK 2 was worth 12 (the value was obtained from the NPL ratio, LDR ratio, and Self Assessment).

PT Bank Negara Indonesia (Persero) Tbk in 2023 obtained a percentage value of 90% and obtained a composite rating of 1 categorized as Very Healthy. PT Bank Negara Indonesia (Persero) Tbk is considered very capable of facing significant negative influences from changes in business conditions and other external factors reflected in the rating of assessment factors including risk profile, GCG implementation, profitability and capital which are generally very good

1. Bank Health Level at PT. Bank Negara Indonesia (Persero) Tbk Period 2021-2023 Reviewed from Risk Profile Aspect

   Viewed from the risk profile aspect using two measurement ratio indicators, namely credit risk factors using the NPL formula and liquidity risk using the LDR formula. The results of the credit risk factor analysis show that the NPL value of PT Bank Negara Indonesia (Persero) Tbk has decreased every year. In 2021, the NPL ratio was 4.05% with a fairly healthy category. In 2022, PT Bank Negara Indonesia (Persero) Tbk's NPL ratio was 3.05% with a healthy category and in 2023 the NPL ratio was 2.32% with a healthy

category. The decrease in the NPL value indicates an increase in the bank's performance in credit management.

The results of the liquidity risk factor analysis show that the LDR value of PT Bank Negara Indonesia (Persero) Tbk has increased from 2021-2023. In 2021, the LDR ratio was 72.98% with a very healthy category. In 2022, the LDR ratio will be 77.46% in the healthy category and in 2023, the LDR ratio will be 79.92% in the healthy category. These results indicate that PT Bank Negara Indonesia (Persero) Tbk has carried out its business operations well

2. Bank Health Level at PT. Bank Negara Indonesia (Persero) Tbk for the 2021-2023 Period Reviewed from the Good Corporate Governance Aspect
    The bank's health level reviewed from the Good Corporate Governance aspect based on the results of a self-assessment by PT. Bank Negara Indonesia (Persero) Tbk obtained a healthy category with a composite value of 2 during 2021 to 2023. This shows that the quality of bank management in implementing GCG principles is good, because the smaller the GCG value, the less risk that may occur. Therefore, the implementation of good GCG principles will increase stakeholder trust in conducting transactions at the bank concerned.

3. Bank Health Level at PT. Bank Negara Indonesia (Persero) Tbk Period 2021-2023 Reviewed From Earnings Aspect
    Viewed from earnings aspect using two measurement ratio indicators, namely ROA and NIM. The ROA value has increased every year. In 2021, the ROA ratio was 1.35% with a Healthy category. In 2022 and 2023, the ROA values were 2.27% and 2.42% respectively with a very healthy category. This shows that PT Bank Negara Indonesia (Persero) Tbk is able to make a profit and rely on its assets well
    The NIM value at PT Bank Negara Indonesia (Persero) Tbk in three consecutive years with a very healthy category in the period 2021 to 2023. In 2021-2023, the NIM ratio was 5.50%; 6.22% and 5.87%. The results of the NIM assessment show that the bank's performance in generating interest income on productive assets managed by the bank is very good so that the possibility of the bank being in a problematic condition is getting smaller.

4. Bank Health Level at PT. Bank Negara Indonesia (Persero) Tbk for the 2021-2023 Period Reviewed from the Capital Aspect
    The health assessment of PT. Bank Negara Indonesia reviewed from the capital aspect uses the CAR ratio. The CAR value was 19.3% in 2021. While in 2022 and 2023, it was 19.27% and 21.95%, respectively, which shows that during that period PT Bank Negara Indonesia (Persero) Tbk was in composite ranking 1 and in a very healthy condition. These results indicate that PT. Bank Negara Indonesia during 2021-2023 had a very good level of capital adequacy for fulfilling its obligations, both in funding its operational activities and in dealing with possible risks

5. Bank Health Level at PT. Bank Negara Indonesia (Persero) Tbk for the 2021-2023 Period Reviewed from the RGEC Aspect
    The results of the analysis of the bank health level at PT. Bank Negara Indonesia (Persero) Tbk Period 2021-2023 reviewed from the RGEC aspect, namely Risk Profile, Good

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Corporate Governance, Earning and Capital is ranked composite 1 (PK-1). In 2021 it was 86.66%, in 2022 and 2023 each was 90%.

CONCLUSION

Based on the discussion regarding the assessment of bank health levels using the RGEC method, the following conclusions can be drawn: The health level of PT Bank Negara Indonesia (Persero) Tbk for the period 2021 to 2023 consecutively obtained a Composite Rating (PK) of 1 or very healthy with a composite value of 86.66% in 2021 and 90% for 2022 in 2023

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