PANDEMIC IMPACT OF COVID-19 ON THE HEALTH OF SYARIAH BANKS

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Abstract: *This study aims to determine the comparison of the health level of banks syariah before and after the Covid-19 pandemic using the measurement method stipulated in the provisions of Bank Indonesia PBI Number 13/1 / PBI / 2011 concerning Bank Health Assessment using the RGEC method. The assessment factors in the RGEC method are risk profile factors, good corporate governance (GCG) factors, profitability factors, and capital factors. The object of this research is all banks syariah companies listed on the Bursa Efek Indonesia from 2017 to 2019. The sampling technique in this study uses a census or population. The analysis technique in this research is descriptive quantitative. The results of this study indicate that banks syariah that were included in the healthy category before the Covid-19 pandemic were Bank Panin Dubai Syariah and banks syariah that were included in the very healthy category were Bank Rakyat Indonesia Syariah and Bank Tabungan Pensiun Syariah. At the time of the Covid-19 pandemic, the three bank syariah were in the very healthy category. Overall, banks syariah are able to grow well even in the COVID-19 pandemic situation.*

Keywords: *pandemic, covid-19, bank health, syariah bank*

1. Introduction

Corona virus diseases 2019 (covid-19) are easily transmitted diseases that cause lung disease and, if fatal, can result in death. The very fast spread of the Covid-19 virus forces all humans to limit social interactions. This has an impact on the weakening of people's purchasing power, decreased income, and the worst impact is the economic recession.

Banks are an influential means of economic growth in a country. According to Undang-Undang No.10 Tahun 1998, a bank is 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 standard of living of the people at large. Indonesia is a developing country with a very fast banking growth. There are many types of banks in Indonesia which are divided by type. Of all types of banks that exist, all are required to be able to maintain and guarantee the trust of their customers as managers of their funds.

One type of bank in Indonesia is a syariah bank. Syariah Bank is a bank that applies Syariah principles in its business operations. Syariah banks are considered to have very rapid developments in Indonesia (Fauziah et al., 2020). This happens because of the high interest of the Indonesian people to guarantee a sense of security in saving their money with Syariah principles. As a result of the ongoing covid-19 pandemic, Syariah banks need to review their business conditions to deal with crisis issues that have an impact on banking. One of them is that banks must be able to improve their banking performance optimally and sustainably.

To improve banking performance, it can be done by maintaining and maintaining the health of the bank. Bank health can be defined as a bank's ability to carry out normal banking operations and be able to

fulfill its obligations optimally in accordance with applicable banking regulations. The health of a bank is a reflection of the condition and ability of the bank to run its business, the distribution of its assets, the effectiveness of using its assets, the costs it incurs with the income it has earned, and the potential for bankruptcy that may be experienced in the future. The health assessment of a bank can be seen from several aspects which aim to determine whether the bank is healthy, healthy enough, unhealthy or not (Suryana et al., 2018).

Based on Bank Indonesia Regulation (PBI) No.13 / 1 / PBI / 2011 concerning Commercial Bank Soundness Assessment, namely by using Risk-Based Bank Ratings, the scope of the assessment includes Risk Profile factors, Good Corporate Governance. (GCG), Earning , and Capital or abbreviated as RGEC. This provision is a substitute for Bank Indonesia Regulation (PBI) No.6 / 10 / PBI / 2004 with description for assessing Capital, Asset Quality, Management, Profits, Liquidity and Sensitivity to Market Risk (CAMELS). The bank's health assessment uses a scale of 1 to 5, the smaller the points received indicates that the bank's health is getting better. And starting January 2012 all commercial banks in Indonesia are required to use the latest bank health Rating guidelines, namely the RGEC Method.

There have been many studies on bank health assessment using the RGEC method, including research conducted by Suryana et al (2018) on financial health analysis using the RGEC method, and Dewi (2018) research which examined BRI Health using the RGEC method which showed the results of all RGEC indicators were highly predicated. healthy, and many other studies. Although there have been many studies on RGEC, these studies have never been carried out during a global pandemic situation such as today, so it can be said that this research is the latest research on RGEC.

2. Research Method
The method used in this study is a comparative research method. Comparative research method is to compare research variables that are of the same nature by looking at the characteristics and facts being studied. The variables used in this research are RGEC indicators, namely Risk Profile, Good Corporate Governance (GCG), Earning, and Capital. The analysis used in this study is a comparative analysis of the RGEC calculations presented in tabulations. The sample technique used is a population sample. The population sample is a sample that comes from the entire research object(Arikunto, 2002). The population sample technique was chosen because there were only three Syariah commercial banks listed on the Indonesia Stock Exchange until 2019, namely Bank Rakyat Indonesia Syariah (BRIS), Bank Tabungan Pensiun Negara Syariah (BTPNS), and Bank Panin Dubai Syariah (BPDS). The observation period was selected for the quarterly reports of September 2019, December 2019, March 2020, and June 2020. This period was chosen because it is the closest period before the Covid-19 pandemic and during the Covid-19 pandemic. It should be noted that the first case of Covid-19 in Indonesia was in March 2020 (Gugus Tugas Covid-19, 2020)

3.   Results and Discussion
3.1.   Results
3.1.1 Risk Profile
Assessment of the risk profile includes an assessment of credit risk, market risk, liquidity risk, operational risk, legal risk, strategic risk, compliance risk and reputation risk (PBI No.13 / 1 / PBI / 2011). Among the eight risks, credit risk and liquidity risk are used in this study. Both risk factors are used because they can be measured quantitatively and have clear ranking criteria (BI, 2011).
The formulas used to calculate the risk profile are Non Performing Loan (NPL) and Loan to Deposit Ratio (LDR)

$$NPL = \frac{problem\ credit}{total\ credit}\ x\ 100\%$$

$$LDR = \frac{total\ credit}{third\ part\ fund} \ x\ 100\%$$

The following is a table of Benchmark for categorizing NPL:

Table 1.Benchmark NPL

Rating	Description	Category	Criteria
1	PK-1	<2%	Very healthy
2	PK-2	2%-<5%	Healthy
3	PK-3	5%-<8%	Fairly Healthy
4	PK-4	8%-<12%	Unwell
5	PK-5	>12%	Not healthy

(Bank Indonesia, 2011)

The following is a table of the results of the calculation of the NPL of syariah banks listed on the stock exchange during the observation period:

Table 2. Syariah bank NPL calculating result

Bank Name	NPL							
	September 2019		December 2019		March 2020		June 2020	
	%	PK	%	PK	%	PK	%	PK
BRIS	3,97	2	6,1	3	2,95	2	4,29	2
BPDS	0	1	1,87	1	0,02	1	0	1
BTPNS	3,14	1	7,2	3	3,97	2	2,59	2

Source: compiled by the author, 2020

After the Benchmark and NPL results are known, hereinafter is the second Risk Profile indicator, namely LDR. The following is the benchmark table for categorizing LDR:

Table 3. Benchmark LDR

Rating	Description	Category	Criteria
1	PK-1	≤75%	Very healthy
2	PK-2	75% - ≤85%	Healthy
3	PK-3	85% -≤100%	Fairly Healthy
4	PK-4	100%-≤120%	Unwell
5	PK-5	>120%	Not healthy

(Bank Indonesia, 2011)

The following is a table of the results of the calculation of LDR for Syariah banks listed on the stock exchange during the observation period:

Table 4. Syariah bank LDR calculating result

Bank Name	LDR

	September 2019		December 2019		March 2020		June 2020	
	%	PK	%	PK	%	PK	%	PK
BRIS	90,4	3	76,81	2	92,1	3	91	3
BPDS	97,88	3	96,7	3	98,21	3	105,47	4
BTPNS	98,68	3	96,8	3	94,69	3	92,37	3

Source: compiled by the author, 2020

3.1.2 Good Corporate Governance

Good Corporate Governance is one of the important pillars in banking which includes full commitment from all levels of bank management to the lowest employees to implement these provisions (Sunardi, 2019). Therefore, all employees are required to uphold the principles that govern good corporate governance, namely transparency, accountability, responsibility, independence and fairness (Rashid, 2003).

The following is an explanation of each of the GCG principles:
a. Transparency is openness in providing material and relevant information as well as openness in carrying out the decision-making process.
b. Accountability is the clarity of functions, structure, systems, and responsibilities of company organs so that company management is carried out effectively.
c. Responsibility is the conformity (compliance) in the management of the bank to the principles of a healthy corporation and the prevailing laws and regulations.
d. Independency (independency) is a professional bank management without any influence / pressure from any part.
e. Fairness (equality and fairness) is justice and equality in fulfilling stakeholder rights that arise based on agreements and applicable laws and regulations.

The following is the predicate table for GCG composition:

Table 5. Predicate of GCG Composite

Nomor	Nilai Komposit	Predikat Komposit
1	<1,5	Very good
2	<2,5	Good
3	<3,5	Pretty good
4	<4,5	Not good
5	>5	Not good

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The following is a table of the results of observing the implementation of GCG in Syariah banks listed on the stock exchange during the observation period:

Table 6. Observations on the implementation of good corporate governance in Syariah banks

Bank Name	Good Corporate Govevrnance							
	September 2019		December 2019		March 2020		June 2020	
	Predicate	PK	Predicate	PK	Predicate	PK	Predicate	PK
BRIS	Very good	1	Very good	1	Very good	1	Very good	1
BTPNS	Good	2	Good	2	Good	2	Good	2

| BPDS | Pretty good | 3 | Pretty good | 3 | Pretty good | 3 | Pretty good | 3 |

Source: compiled by the author, 2020

3.1.3 Earning

Profitability assessment is a bank's ability to earn profits (A. H. M. Noman, C. S. Gee, 2017).The assessment of the profitability factor can be calculated using two formulas, namely Return On Assets (ROA) and Net Interest Margin (NIM).

$$ROA = \frac{earning\ before\ tax}{average\ assets} \times 100\%$$

$$NIM = \frac{net\ income}{average\ earning\ assets}$$

The following is the Benchmark Table for categorizing ROA:

Table 7. Benchmark ROA

Rating	Description	Category	Criteria
1	PK-1	>1,5%	Very healthy
2	PK-2	1,25%-<1,5%	Healthy
3	PK-3	0,5%-<1,25%	Fairly Healthy
4	PK-4	0%-<0,5%	Unwell
5	PK-5	≤0%	Not healthy

(Bank Indonesia, 2011)

The following is a table of the results of the calculation of ROA for syariah banks listed on the stock exchange during the observation period:

Table 8. Syariah bank ROA calculating result

Bank Name	ROA							
	September 2019		December 2019		March 2020		June 2020	
	%	PK	%	PK	%	PK	%	PK
BRIS	0,32	4	1	3	1	3	0,9	3
BPDS	0,16	4	0,90	3	0,26	4	0,04	4
BTPNS	13,5	1	0,94	3	13,58	1	6,96	1

Source: compiled by the author, 2020

After the Benchmark and ROA results are known, hereinafter is the second earning indicator, namely NIM. The following is the Benchmark Table for categorizing NIM:

Table 9. Benchmark NIM

Rating	Description	Category	Criteria

1	PK-1	>2,5%	Very healthy
2	PK-2	2% - 2,5%	Healthy
3	PK-3	1,5% - 2%	Fairly Healthy
4	PK-4	1% - 1,5%	Unwell
5	PK-5	<1,6%	Not healthy

(Bank Indonesia, 2011)

The following is a table of the results of the calculation of NIM of syariah banks listed on the stock exchange during the observation period:

Table 10. Syariah bank NIM calculating result

Bank Name	NIM							
	September 2019		December 2019		March 2020		June 2020	
	%	PK	%	PK	%	PK	%	PK
BRIS	5,58	1	5,43	1	6,08	1	5,96	1
BPDS	1,5	3	3,56	1	1,76	3	1,54	3
BTPNS	31,16	1	13,2	1	29,59	1	23,73	1

Source: compiled by the author, 2020

3.1.4 Capital

The capital factor can be measured using the capital adequacy ratio (CAR) formula. CAR is a ratio that measures the capital adequacy of a bank which is calculated based on the ratio of total capital to risk-weighted assets (A. H. M. Noman, C. S. Gee, 2017).

$$CAR = \frac{equity}{risk\ weighted\ assets} \times 100\%$$

Berikut ini adalah Table Benchmark untuk mengcategorykan CAR:

Table 11. Benchmark CAR

Rating	Description	Category	Criteria
1	PK-1	>12%	Very healthy
2	PK-2	9% - 12%	Healthy
3	PK-3	8% - 9%	Fairly Healthy
4	PK-4	6% - 8%	Unwell
5	PK-5	<6%	Not healthy

(Bank Indonesia, 2011)

The following is a table of the results of the calculation of CAR for syariah banks listed on the stock exchange during the observation period:

Table 12. Syariah bank CAR calculating result

Bank Name	CAR							
	September 2019		December 2019		March 2020		June 2020	
	%	PK	%	PK	%	PK	%	PK

BRIS	5,64	5	32,23	1	5,77	5	4,81	5
BPDS	4,18	5	14,46	1	3,61	5	3,51	5
BTPNS	0,87	5	43,25	1	0,92	5	1,13	5

Source: compiled by the author, 2020

3.2. Discussion

Based on the results obtained after observing the predetermined period, each RGEC indicator can be described as follows:

1. The risk profile for BRIS before the Covid-19 pandemic was at Rating 2, or in the healthy category and decreased when the Covid-19 pandemic occurred at Rating 3, which is quite healthy. However, over time, in the following quarter it was normal at Rating 2 and persisted in the following quarter. This shows that the covid-19 pandemic has no effect on the risk profile of BRIS, which means that BRIS has no barriers to non-performing loans and third part funds. This also applies to BPDS and BTPNS. The two Syariah banks also did not experience a risk profile barrier. If there is a decline in the category in December and March, it is considered reasonable based on the health condition of the bank.

2. The principles of Good Corporate Governance implemented by BRIS, BPDS, and BTPNS prior to the Covid-19 pandemic and during the Covid-19 pandemic were consistent, did not experience a decline but also did not increase. BRIS has a very good predicate in the implementation of GCG principles, followed by BPDS in the second rating, and BTPNS in the third rating. This shows that the covid-19 pandemic does not affect syariah banks to implement the principles of good corporate governance.

3. Earning that can be obtained by Syariah banks before the Covid-19 pandemic is in a healthy position. BRIS is in an unhealthy position, in fact, when the Covid-19 pandemic occurred, its ranking rose to be quite healthy. Likewise, BPDS and BTPNS were able to maintain their ability to generate profits during the Covid-19 pandemic at a healthy ratingTable.

4. Capital owned by syariah banks before the Covid-19 pandemic and after the Covid-29 pandemic was relatively stable but in an unhealthy position. This happens because the capital of Syariah banks has a risk to the assets owned. When viewed from the capital structure of risk-weighted assets, the total risk-weighted assets of BRIS, BTPNS, and BPDS are very high which has an impact on CAR which has a value of not more than 6%. Only at the end of the quarter in December 2019 all these Syariah banks have Rating 1. This can happen because in December there was capital accumulation for 1 year in 2019. So it can be said that the Covid-19 pandemic has no effect on the capital structure of Syariah banks, because only the capital structure that affects capital.

4. Conclusion

Based on the analysis of syariah bank health using RGEC can produce information on bank health conditions into the categories very healthy, healthy, quite healthy, unhealthy, and unhealthy. The following is a summary table of the RGEC indicator ratings in this study:

Bank Name	Risk Profile								GCG				Earning								Capital			
	NPL				LDR								ROA				NIM							
	Sep-19	Dec-19	Mar-20	Jun-20	Sep-19	Dec-19	Mar-20	Jun-20	Sep-19	Dec-19	Mar-20	Jun-20	Sep-19	Dec-19	Mar-20	Jun-20	Sep-19	Dec-19	Mar-20	Jun-20	Sep-19	Dec-19	Mar-20	Jun-20
BRI Syariah	2	3	2	2	3	2	3	3	1	1	1	1	3	3	3	3	1	1	1	1	5	1	5	5
BTPN Syariah	1	1	1	1	3	3	3	4	2	2	2	2	4	3	4	4	3	1	3	3	5	1	5	5

Bank Panin Dubai Syariah	1	3	2	1	3	3	3	3	3	3	3	3	1	3	1	1	1	1	1	1	5	1	5	5

source: compiled by the author, 2020

From the table above it can be concluded at first, BRI Syariah before the Covid-19 pandemic had a very healthy average rating with the acquisition of Rating 1 for the RGEC indicator of 5 points, Rating 2 of 2 points, Rating 3 of 4 points, and Rating of 5 of 2 points. Furthermore, during the Covid-19 pandemic, BRI Syariah had an average rating of healthy with the acquisition of Rating 1 for the RGEC indicator of 4 points, Rating 2 of 2 points, Rating 3 of 4 points, and Rating of 5 of 2 points. This means that BRI Syariah continues to experience healthy growth during the Covid-19 pandemic.

Second, BTPN Syariah before the Covid-19 pandemic had an average rating of healthy with the acquisition of Rating 1 for the RGEC indicator of 4 points, Rating 2 of 2 points, Rating 3 of 3 points, Rating 4 of 1 point and Rating of 5 of 1 point. Furthermore, during the Covid-19 pandemic, BTPN Syariah had a healthy average rating with the acquisition of Rating 1 for the RGEC indicator of 2 points, Rating 2 of 2 points, Rating 3 of 4 points, and Rating 5 of 2 points. This means that BTPN Syariah continues to experience healthy growth during the Covid-19 pandemic.

And the last Panin Dubai Syariah Bank before the Covid-19 pandemic had a healthy average rating with the acquisition of Rating 1 for the RGEC indicator of 5 points, Rating 3 of 6 points, and Rating 5 of 1 point. Furthermore, during the Covid-19 pandemic, BTPN Syariah had a healthy average rating with the acquisition of Rating 1 for the RGEC indicator of 5 points, Rating 2 of 1 point, Rating 3 of 4 points, and Rating of 5 of 2 points. This means that BTPN Syariah continues to experience healthy growth during the Covid-19 pandemic.

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