

# Analysis of Bank Health Using the RGEC Method at PT BPR Bali Dananiaga in 2019-2021

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**Abstract:** The banking sector is considered as the driving force of a country's economy, by providing lending activities and other services, banks serve funding needs and facilitate payment system mechanisms for all economic systems. One of the financial institutions engaged in banking is bank perkreditan rakyat (BPR). An assessment of the financial condition of a BPR is very important to determine the soundness of the bank in order to increase public trust. If the health of the BPR decreases, it will also affect the decline in public confidence. This study aims to calculate and analyze the level of bank soundness at PT BPR Bali Dananiaga. This research is a type of qualitative research. The data sources of this research are primary data in the form of interviews related to corporate governance and secondary data in the form of statements of financial position, income statements, commitments and contingencies reports and other information reports at PT BPR Bali Dananiaga in 2019 to 2021. The bank's health assessment technique refers to Financial Services Authority Circular Letter Number 14/SEOJK.03/2017 using the RGEC (risk profile, good corporate governance, earning, and capital) method. The results of the research conducted show that the health predicate of PT BPR Bali Dananiaga from 2019 to 2020 is ranked second with a healthy condition and in 2021 it is ranked third with a fairly healthy condition. This means that PT BPR Bali Dananiaga for the past year has experienced financial problems that must be immediately addressed with proper management.

**Keywords:** risk profile, good corporate governance, earning, capital

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## Introduction

The sector that plays an important role in the economy in Indonesia is the banking sector. The banking sector is considered as the driving force of the country's economy, by providing lending activities and other services, banks serve funding needs and facilitate payment system mechanisms for all economic systems. Bank is defined as a financial intermediary institution, which is an agency that collects funds and distributes public funds effectively and efficiently (Budisantoso & Triandaru, 2014). The bank's goal is to improve people's welfare (Wiwoho, 2014). In order to maintain public trust, banks and management must be able to maintain good bank health.

Bank health is the bank's ability to carry out banking operational activities fairly and can fulfill all its obligations based on applicable bank regulations (Rizky & Winarni, 2020). A healthy bank is a bank that can maintain and maintain public trust, can carry out an intermediary function by the government, can help smooth payment traffic and can be used by the government in implementing various policies (Permana, 2012). The current assessment of bank soundness refers to the circular letter of the financial services authority no.14/SEOJK.03/2017, namely the RGEC (risk profile, good corporate governance, earning, capital) method. The RGEC method is a development method from the previous method, namely the CAMEL method (Otoritas Jasa Keuangan, 2017). The RGEC method emphasizes the importance of the quality of the performance of the bank's management itself. In the RGEC method, there are criteria determined by Bank Indonesia that has set rules and regulations in which a bank can be said to meet the requirements as a healthy bank, and does not have a negative impact on stakeholders (Dwinanda & Wiagustini, 2015).

PT BPR Bali Dananiaga is a company engaged in banking, as a banking company BPR has a responsibility to maintain the security of customer deposits and must always pay attention to the health of the bank for the

future period. The COVID-19 pandemic has caused the global economy to weaken. The rural banking industry (BPR) also felt the impact. The weakening business world has reduced the demand for credit. Poor credit quality also affects the banking sector. This is due to the inability of customers to meet credit obligations due to various factors. The financial statements describe the company's overall financial position (Setiyono & Aini, 2014). It can be seen from the financial statements that the high level of non-performing non-performing loans, thus identifying the debtor's failure to fulfill obligations, will have a negative impact on the company's financial growth rate, where the repayment of principal and interest installments is a source of income for the bank. Likewise, the bank's profitability ratio is reflected in the low return on assets every year caused by banks that are not able to use their assets to generate profits. In connection with this, the company must improve its performance to achieve the company's goals, so it is necessary to assess the soundness of the bank.

## Method

- Types of research

This study uses qualitative research by testing based on financial ratios. The qualitative data used in this study is about good corporate governance (GCG) at PT BPR Bali Dananiaga, then quantitative data comes from the financial statements of PT BPR Bali Dananiaga from 2019 to 2021.

- Location/Place and Time of Research

The location used in this research is PT BPR Bali Dananiaga with the address Jalan Gatot Subroto Timur No. 332, Kesiman Petilan, East Denpasar. The time used to conduct research at PT BPR Bali Dananiaga is for six months starting from February to July 2022.

- Data source

Sources of data in this study using primary data sources and secondary data sources. Primary data comes from informants as the first party, by obtaining information through interview techniques regarding GCG to determine the suitability of the implementation of management based on the five principles of governance. Secondary data used include statements of financial position, income statements, commitments and contingencies reports and other information reports.

- Data Collection Techniques and Instruments

Data collection techniques in this study are interviews and documentation.

- Data Validity

Triangulation is a multi-method approach that researchers use when collecting and analyzing data (Sumasno Hadi, 2016). The validity of the data in this study used source triangulation and technical triangulation.

- Data analysis technique

This study uses a qualitative descriptive analysis technique. In conducting the data analysis process, the researcher refers to several stages which include data collection, data reduction, data presentation, data analysis, and drawing conclusions.

## Result and Discussion

- Description of Research Results

The health assessment at PT BPR Bali Dananiaga in 2019, 2020 and 2021 requires financial data in the form of a statement of financial position, income statement, commitment and contingency reports and other information reports. From this data, it will be processed using the RGEK method.

- Credit risk

PT BPR Bali Dananiaga's NPL in 2019 was at the percentage of 19.21% but in 2020 the NPL level decreased to 18.15%, experiencing a decline again in 2021 with a percentage figure of 15.47%.

**Table 1.** NPL Composite Value Recapitulation

Year	Troubled Credit (a)	Total Credit (b)	NPL% (a/b)
2019	19.813.319	103.163.851	19,21%
2020	19.222.892	105.890.856	18,15%
2021	16.148.409	104.388.057	15,47%

- Liquidity risk

The value of the LDR ratio at PT BPR Bali Dananiaga in 2019 with a percentage rate of 82.39%, in 2020 it decreased to 79.18%, decreased again in 2021 with a percentage figure of 76.78%.

**Table 2.** LDR Composite Value Recapitulation

Year	Total Credit (a)	Third Party Funds (b)	LDR% (a/b)
2019	103.163.851	125.214.352	82,39%
2020	105.890.856	133.738.259	79,18%
2021	104.388.057	135.957.248	76,78%

The value of the CR ratio at PT BPR Bali Dananiaga from 2019 to 2021 has increased. In 2019 it was at a percentage of 16.11%, in 2020 it increased to a percentage of 16.89%, and in 2021 it was at a percentage of 21.11%.

**Table 3.** CR Composite Value Recapitulation

Year	Liquid Tools (a)	Current Liability (b)	CR% (a/b)
2019	18.663.818	115.865.826	16,11%
2020	20.932.544	123.953.250	16,89%
2021	26.660.318	126.315.393	21,11%

- Good Corporate Governance (GCG)

The GCG Composite Value Recapitulation in 2019 obtained a value of 2.42%, in 2020 it decreased by 2.18%, and in 2021 it decreased again with a percentage of 1.85%.

**Table 4.** GCG Composite Value Recapitulation

No	Factor	2019	2020	2021
1	Implementation of the duties and responsibilities of the board of directors	0,43	0,40	0,30
2	Implementation of the duties and responsibilities of the board of commissioners	0,37	0,34	0,25
3	Completeness and implementation of committee duties or functions	0	0	0
4	Handling conflicts of interest	0,30	0,21	0,20
5	Implementation of the BPR compliance function	0,23	0,21	0,18
6	Implementation of the internal audit function	0,24	0,23	0,20
7	Implementation of the external audit function	0,03	0,03	0,03
8	Implementation of risk management including	0,30	0,30	0,25

internal control system

9	Maximum credit limit	0,23	0,17	0,15
10	BPR business plan	0,15	0,15	0,15
11	Transparency of financial and non-financial conditions, as well as internal reporting	0,15	0,15	0,15
<b>Composite Value</b>		<b>2,42</b>	<b>2,18</b>	<b>1,85</b>

- Earning

The ROA ratio value at PT BPR Bali Dananiaga in 2019 showed a percentage of 0.40%, in 2020 the ratio value decreased to 0.13%, as well as in 2021 it decreased to -0.26%.

**Table 5.** ROA Composite Value Recapitulation

Year	Earnings Before Tax (a)	Total Asset (b)	ROA% (a/b)
2019	541.451	135.408.715	0,40%
2020	180.519	143.653.733	0,13%
2021	(373.390)	146.244.424	-0,26%

NIM from 2019 to 2021 at PT BPR Bali Dananiaga has decreased. In 2019 it was 14.20%, in 2020 it was 12.06% and in 2021 it decreased again by 10.62%.

**Table 6.** NIM Composite Value Recapitulation

Year	Interest Income (a)	Total Productive Assets (b)	NIM% (a/b)
2019	18.061.921	127.236.327	14,20%
2020	16.094.419	133.459.074	12,06%
2021	14.730.612	138.765.983	10,62%

- Capital

The value of the CAR ratio in 2019 showed a percentage of 10.44%, in 2020 it decreased to 9.91%, then in 2021 it decreased again to 9.80%.

**Table 7.** CAR Composite Value Recapitulation

Year	Bank Capital (a)	ATMR (b)	CAR% (a/b)
2019	11.653.042	111.641.795	10,44%
2020	11.928.526	120.427.653	9,91%
2021	11.773.814	120.179.884	9,80%

- RGE Method Overall Bank Soundness Recapitulation

Based on the calculation results of the recapitulation of the value of each RGE component, the resulting financial ratios at PT BPR Bali Dananiaga. In 2019 it received a health rating of 71.4%, in 2020 it still occupies the same position, namely 71.4%, and in 2021 it has decreased by 68.6%.

**Table 8.** Recapitulation of Overall Value Calculation

Component	Ratio	Score		
		2019	2020	2021
Risk Profile	NPL	19,21%	18,15%	15,47%
	LDR	82,39%	79,18%	76,78%
	CR	16,11%	16,89%	21,11%
GCG	GCG	2,42%	2,18%	1,85%
Earning	ROA	0,40%	0,13%	-0,26%
	NIM	14,20%	12,06%	10,62%
Capital	CAR	10,44%	9,91%	9,80%
Actual Value		25	25	24
Composite Value		35	35	35
Rating		71,4%	71,4%	68,6%
Bank Health				

- Discussion and Findings

- Credit risk

NPL ratio in 2019 was 19.21%, which means that there was a 19.21% ratio of non-performing loans from total loans granted by banks, with a very high NPL value indicating the bank's carelessness in selecting prospective debtors. The NPL value of 19.21% is at the composite NPL level value of 12%, so PT BPR Bali Dananiaga is included in the unhealthy predicate. In 2020 the NPL value decreased to 18.15% this was due to a decrease in the number of non-performing loans generated compared to 2019. The NPL value of 18.15% means that there is an 18.15% ratio of non-performing loans from total loans granted by banks, then the NPL value is still at the composite level of NPL 12% so it is included in the unhealthy predicate. In 2021 the NPL value decreased again to 15.47% due to a decrease in the number of loans extended as well as the number of non-performing loans. The NPL value of 15.47% means that there is a 15.47% ratio of non-performing loans from the total loans granted by banks, so the NPL value is still at the NPL composite level value of 12% so it is included in the unhealthy predicate. From the discussion above, it can be concluded that PT BPR Bali Dananiaga is not trying to manage its credit risk properly so it is necessary to carry out an evaluation related to this risk, this is reflected in the very high NPL values in 2019, 2020 and 2021, the higher the percentage value of the NPL ratio, the higher the NPL ratio. bank is said to be unhealthy. This shows that the debtor's failure to fulfill its obligations to the bank resulted in non-performing loans which had an impact on the business continuity of the bank.

- Liquidity risk

In 2019, the LDR ratio was 82.39%, which means that for every Rp1.00 of third party funds that have been collected and core capital has been disbursed in the form of loans of Rp0.8239. The criteria of 75% - 85% are in the second rank with a healthy predicate. The LDR value of 82.39% indicates the bank is in a healthy condition. In 2020 the LDR value has decreased to 79.18% the smaller the LDR value will have a good impact on the continuity of the bank's business. The decrease was due to the increase in total loans and the amount of third party funds. The value of 79.18% means that for every Rp1.00 of third party funds that have been collected and core capital has been distributed in the form of credit of Rp0.7918, then PT BPR Bali Dananiaga is still in the 75% - 85% criteria with the second rank being a healthy bank. In 2021 the LDR value has decreased to 76.78%. The LDR value of 76.78% means that for every Rp1.00 of third party funds that have been collected and core capital has been channeled in the form of loans of Rp0.7678, so that the bank is in the 75% - 85% criteria with the second rank being a healthy bank. It can be concluded that PT BPR Bali Dananiaga is in a liquid position because it still has excess capacity of funds that are ready to be loaned. The 2019 CR value is at a percentage rate of 16.11%. The ratio value of 16.11% means that every Rp 1.00 of current debt will be guaranteed by Rp0.1611 liquid assets. Criteria CR > 4.80% indicates that the bank is in the very healthy category. In 2020 there was an increase in current liabilities to Rp123,953,250.000,00 but guaranteed by an increase in liquid



assets to Rp20,932,544,000.00 from the previous year. The CR value increased to 16.89% being in the first rank with a very healthy predicate. In 2021 the value of the CR ratio will increase to 21.11% due to the increase in the number of liquid assets and current liabilities from the previous year. The ratio value of 21.11% means that every Rp1.00 of current debt will be guaranteed by Rp0.2111 liquid assets, the CR level has met the very healthy predicate category, namely  $CR > 4.80\%$ . It can be concluded that PT BPR Bali Dananiaga is able to meet its current obligations with its liquid assets.

- Good Corporate Governance (GCG)

In the Financial Services Authority Regulation No.4/POJK.03/2015 and the Financial Services Authority Circular No.8/SEOJK.03/2016 GCG is applied based on five basic principles namely transparency, accountability, responsibility, independence and finally the principle of fairness (Otoritas Jasa Keuangan, 2016). In 2019 the results of the implementation of PT BPR Bali Dananiaga's governance obtained a composite value of 1.80 - 2.60, which is 2.42% with the second rank being healthy, this indicates that PT BPR Bali Dananiaga is quite good at implementing corporate governance in accordance with the letter circular regarding the implementation of governance. In 2020, the GCG composite value shows a percentage rate of 2.18% with a range of 1.80 - 2.60% still in the second rank, which is healthy. In 2021 it still gets the second rank, namely the healthy predicate category with a percentage rate of 1.85%. The implementation of governance from 2019 to 2021 received a good predicate, so it can be concluded that bank management for the continuity of the business sector continues to modernize in terms of management.

- Earning

The ROA value of PT BPR Bali Dananiaga is 0.40%, which means that every Rp. 1.00 the use of assets is able to generate a profit before tax of Rp. 0.0040, based on the circular letter of the financial services authority No. 14/SEOJK.03/2017 range 0% - 5% is the fourth rank with an unhealthy predicate. In 2020 the ROA ratio decreased to 0.13% due to a decrease in the amount of profit before tax and an increase in total assets. The ratio value of 0.13% means that for every Rp1.00 the use of assets is able to generate a profit before tax of Rp0.0013, with a decrease in ROA proving that the bank has *decreased* performance in managing productive assets. The ROA value of 0.13% PT BPR Bali Dananiaga is still in the fourth rank, namely the predicate of being less healthy. In 2021 the ROA value again decreased to -0.26%, this happened because PT BPR Bali Dananiaga suffered losses. The ROA value of -0.26% means that for every Rp1.00 the use of assets can generate a profit before tax of Rp0.00026, with this PT BPR Bali Dananiaga is in the fifth rank, namely the predicate unhealthy. Based on the explanation above, it can be concluded that PT BPR Bali Dananiaga annually produces a low ROA ratio. This is due to the amount of income that is almost the same as the total costs incurred each year even in 2021 experiencing losses. The low ROA ratio reflects that BPRs are not able to manage their assets to generate profits and do not maintain the efficiency of the company's operating expenses.

The NIM of PT BPR Bali Dananiaga seen from table 4.6 in 2019 obtained a figure of 14.20%. The criteria for the NIM value of 14.20% is in the first rank of the  $NIM > 3\%$  range with a very healthy category, meaning that in managing productive assets to generate net interest income, PT BPR Bali Dananiaga has a very healthy ability. In 2020, the NIM value decreased from the previous year, which was 12.06%. The decline in NIM reflected that the bank experienced a decline in performance in managing productive assets into net income, with a NIM value of 12.06%. PT BPR Bali Dananiaga still ranked first with very healthy category. In 2021 the NIM decreased again by 10.62% this was due to economic conditions that had not fully recovered due to the effects of the pandemic which caused a decrease in credit realization and interest rates by LPS, but PT BPR Bali Dananiaga still ranked first with a very high composite healthy. Based on the explanation above, it can be concluded that PT BPR Bali Dananiaga for 3 years starting from 2019 to 2021 the NIM value has decreased even though it has not been able to maximize net interest income with its productive assets, but the bank is still in the very healthy category, which is ranked first.

- Capital

CAR ratio in 2019 was 10.44%, which means that every Rp1.00 of risk-bearing assets is guaranteed by Rp0.1044 capital, with a ratio of 10.44% PT BPR Bali Dananiaga is in second place with a healthy composite level with a value of 9% - 12 %. In 2020 the CAR value decreased to 9.91% this was due to an increase in the amount of capital and the number of RWA. The ratio value of 9.91% means that Rp1.00 of risky assets are guaranteed with Rp0.991 of capital, but is still in the second rank, which is healthy. In 2021 the CAR value has

decreased again to 9.80% but is still in the 9% - 12% range with the second rank, which is healthy, the decline occurs due to the smaller ability of bank capital to cover the possibility of credit failure. The ratio value of 9.80% means that Rp1.00 of risky assets are guaranteed by Rp0.980 of bank capital. From this description, it can be concluded that the existing capital conditions at PT BPR Bali Dananiaga have met the adequacy standard of adequate capital provision in overcoming operational risk and credit risk. as well as deposits.

#### - Overall Bank Soundness Rating Results

The final stage in assessing the health of the bank is to calculate the weight obtained from the overall rating of each component, then calculate the total component value by multiplying the number of existing ratings by the number of each ratio analyzed to obtain the actual composite value. *Checklist* bobot nilai tingkat kesehatan bank diantaranya: peringkat pertama dikalikan 5, peringkat kedua dikalikan 4, peringkat ketiga dikalikan 3, peringkat keempat dikalikan 2, dan peringkat kelima dikalikan 1 (Dewi Meutia, 2018). From 2019 to 2020 it is known that PT BPR Bali Dananiaga obtained the actual composite value from this RGEC assessment, which is 25 with a total composite of 35, so the composite value in 2019 and 2020 is 71.40%, the score meets the assessment criteria with the second ranking in the healthy category with composite value 71 – 85. This is caused by the value of the NPL is not good, causing the small actual value obtained by the bank. In 2021 PT BPR Bali Dananiaga received an assessment with fairly healthy criteria with a range of 61 - 70, namely the actual composite value of 24 and the total composite value of 35, resulting in a score of 68.60% obtaining the third rank. When viewed in terms of risk profile, good corporate governance, earnings, and capital, the one that has the biggest impact on the sustainability of PT BPR Bali Dananiaga's business is the risk profile, which is reflected in terms of NPL, the value of NPL in 2019, 2020 and 2021 is very high so it is categorized as in the unhealthy predicate. This is due to the debtor's failure to fulfill its obligations to the bank, resulting in non-performing loans. On the other hand, in terms of earnings, the ROA ratio shows a very low credit score in 2019 and 2020, obtaining the predicate of unhealthy and unhealthy in 2021. This is because PT BPR Bali Dananiaga is not efficient in carrying out its operational activities. In addition, due to the relaxation policy on credit restructuring from the financial services authority, this has an effect on reducing the number of loan repayments and interest. From the explanation above, PT BPR Bali Dananiaga still does not meet all the criteria for very healthy from each of the ratios that have been set. Thus, it can be said that PT BPR Bali Dananiaga has not fully managed its finances properly.

## Conclusion

From 2019 to 2020, which has been analyzed, it has a health score of 71.40%, which is ranked second with a healthy condition, and in 2021, it has a health score of 68.60% and is ranked third with a fairly healthy condition. The implication of this research is that the research results are used by PT BPR Bali Dananiaga to take corrective actions in the future, especially increasing company profits, as well as designing a strategy in order to increase the ratios associated with the RGEC component.

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