

The Health Level Analysis of Bank Jateng During The Covid-19 Pandemic with The Risk-Based Bank Rating Method

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ABSTRACT

Bank Jateng has a central role in carrying out the regional mission to support the acceleration of economic growth, especially during the covid-19 pandemic where many business sectors were unable to survive and some of them even went bankrupt. But on the other hand, Bank Jateng is also required to be able to maintain the level of bank health in all conditions. The purpose of this study is to determine the health level of Bank Jateng during the covid -19 pandemic. This type of research is descriptive quantitative with a research sample period during the covid-19 pandemic, namely 2020-2021. The analysis technique uses a risk approach (Risk-based Bank Rating) which includes risk profile ratio analysis factors (risk profile); corporate governance (GCG); income (profitability); and capital ratios (capital), which are abbreviated as RGEN. The results showed that during the covid -19 pandemic, Bank Jateng was included in Composite Rating 1 (PK-1), which reflects the general condition of Bank Jateng as "very healthy", so it is considered very capable of facing significant negative effects from changes in business conditions and other external factors.

1. INTRODUCTION

In early 2020, the world was shocked by the outbreak of the covid-19 virus which is a pandemic that has spread to almost all countries, including Indonesia. Coronavirus 19 (covid-19) was declared a pandemic by the World Health Organization (WHO) in early 2020 and had an impact on various types of sectors, not only the health sector, but also other sectors, including banking. The impact of the covid-19 pandemic on banking is on banking performance which will affect the level of bank health, so maintaining bank health during a pandemic through objective and appropriate benchmarks is very important. This objectivity can be achieved by comparing the health of banks in normal environmental conditions, namely before the covid-19 pandemic with conditions during the covid-19 pandemic and/or comparing banking conditions with similar characteristics.

PT Bank Pembangunan Daerah Jawa Tengah Tbk (better known as Bank Jateng) as a BUMD in the banking sector owned by the Central Java Provincial Government has a central role in carrying out the regional mission to support the acceleration of economic growth, especially during the covid-19 pandemic where many MSME sectors were unable to survive and some of them even went bankrupt.

But on the other hand, Bank Jateng is also required to be able to maintain the level of bank health in all conditions. So, to see how much influence the covid-19 pandemic has on the health level of Bank Jateng, a descriptive analysis of objective conditions during the covid-19 pandemic is needed. According to Sun (2011), this analysis is important for companies to provide incentives and control the company and is an important channel for company stakeholders to obtain company performance information. The results of this financial performance analysis will also be useful for gaining or maintaining customer trust.

Financial Services Authority Regulation No. 4/POJK.03/2016 on the Assessment of the Health Level of Commercial Banks, requires banks to conduct a bank health level assessment using a risk approach (Risk Based Bank Rating), both individually and on a consolidated basis, with the scope of assessment of the following factors: Risk Profile; Corporate Governance (GCG); Profitability; and Capital, abbreviated as RGEC.

Based on the description above, the problem in this study is how the health level of Bank Jateng during the covid-19 pandemic. The purpose of this study is to determine the health level of Bank Jateng during the covid-19 pandemic. This research is useful as a reference in decision making, both Bank Jateng, professionals, researchers, and other public interests.

2. LITERATURE REVIEW

Definition of Bank Health Level

Bank health is the ability of a bank to carry out normal banking operations and be able to fulfill all its obligations properly in a manner that is in accordance with applicable banking regulations (Budisantoso & Nuritomo, 2013). Bank health is the result of various aspects that affect the bank's performance conditions. Bank health is a bank that is able to carry out its functions properly, which can maintain and maintain public trust, can carry out the government's intermediary function in implementing policies, especially monetary policy (Rivai, 2013).

Understanding the RGEC Method

Based on Article 2 paragraph (3) of the Financial Services Authority Regulation Number 4/OJK.03/2016 concerning Health Level Assessment of Commercial Banks, banks are required to conduct a Bank Health Level assessment using a risk approach (Risk-based Bank Rating) both individually and on a consolidated basis. Article 6 states that the scope of the assessment is carried out on the following factors:

- a. Risk Profile
- b. Good Corporate Governance (GCG)
- c. Profitability (Earnings), and

d. Capital

Henceforth, the four risks are abbreviated as RGEC. The RGEC proxies and health rating classifications are explained as follows:

1. NPL Ratio

Furthermore, the NPL ratio value is classified based on the predicate as follows:

Table 1. Criteria for NPL Ratio Rating

Rating	Description	Criteria
1	Very Healthy	$NPL < 2\%$
2	Healthy	$2\% \leq NPL < 5\%$
3	Fairly Healthy	$5\% \leq NPL < 8\%$
4	Less Healthy	$8\% \leq NPL < 12\%$
5	Not Healthy	$NPL \geq 12\%$

Source: SE-BI No. 13/24/DPNP/2011

2. LDR Ratio

Furthermore, the LDR ratio value is classified based on the predicate as follows:

Table 2. Criteria for LDR Ratio Rating

Rating	Description	Criteria
1	Very Healthy	$LDR < 75\%$
2	Healthy	$75\% < LDR \leq 85\%$
3	Fairly Healthy	$85\% < LDR \leq 100\%$
4	Less Healthy	$100\% < LDR \leq 120\%$
5	Not Healthy	$LDR > 120\%$

Source: SE-BI No. 13/24/DPNP/2011

3. Self-Assessment (SA)

Furthermore, the SA composite value is classified based on the predicate as follows:

Table 3. Criteria for SA Rating

Rating	Description	Criteria
1	Very good	Composite Value < 1.5
2	Good	$1.5 \leq \text{Composite Value} < 2.5$
3	Fairly Good	$2.5 \leq \text{Composite Value} < 3.5$
4	Not Good	$3.5 \leq \text{Composite Value} < 4.5$
5	Bad	$4.5 \leq \text{Composite Value} < 5$

Source: SE-BI No. 13/24/DPNP/2011

4. ROA Ratio

Furthermore, the ROA ratio value is classified based on the predicate as follows:

Table 4. Criteria for ROA Ratio Rating

Rating	Description	Criteria
1	Very Healthy	$ROA > 2\%$
2	Healthy	$1.25\% < ROA \leq 2\%$
3	Fairly Healthy	$0.5\% < ROA \leq 1.25\%$
4	Less Healthy	$0\% < ROA \leq 0.5\%$
5	Not Healthy	$ROA \leq 0\%$ (negative)

Source: SE-BI No. 13/24/DPNP/2011

5. ROE Ratio

Furthermore, the ROE ratio value is classified based on the predicate as follows:

Table 5. Criteria for ROE Ratio Rating

Rating	Description	Criteria
1	Very Healthy	ROE > 15%
2	Healthy	12.5% < ROE ≤ 15%
3	Fairly Healthy	5% < ROE ≤ 12.5%
4	Less Healthy	0% < ROE ≤ 5%
5	Not Healthy	ROE ≤ 0% (negative)

Source: SE-BI No. 13/24/DPNP/2011

6. NIM Ratio

Furthermore, the NIM ratio value is classified based on the predicate as follows:

Table 6. Criteria for NIM Ratio Rating

Rating	Description	Criteria
1	Very Healthy	NIM > 3%
2	Healthy	2% < NIM ≤ 3%
3	Fairly Healthy	1.5% < NIM ≤ 2%
4	Less Healthy	1% < NIM ≤ 1.5%
5	Not Healthy	NIM ≤ 1%

Source: SE-BI No. 13/24/DPNP/2011

7. BOPO Ratio

Furthermore, the BOPO ratio value is classified based on the predicate as follows:

Table 7. Criteria for BOPO Ratio Rating

Rating	Description	Criteria
1	Very Healthy	BOPO < 83%
2	Healthy	83% ≤ BOPO < 85%
3	Fairly Healthy	85% ≤ BOPO < 87%
4	Less Healthy	87% ≤ BOPO < 89%
5	Not Healthy	BOPO ≥ 89%

Source: SE-BI No. 13/24/DPNP/2011

8. CAR Ratio

Furthermore, the CAR ratio value is classified based on the predicate as follows:

Table 8. Criteria for CAR Ratio Rating

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

Source: SE-BI No. 13/24/DPNP/2011

The final result of the assessment of the bank's health level is information for the bank itself to determine strategies and decisions. As for Bank Indonesia as a supervisor, it is used as advice for the determination and implementation of supervisory strategies.

The composite rating of a health bank level is determined based on a comprehensive and structured analysis of the rating of each factor with due regard to the materiality and significance of each factor. The Composite Rating as referred to is categorized as:

- a. Composite Rating 1 (PK-1)
Reflects the Bank's condition which is generally "very healthy" so that it is considered very capable of facing significant negative influences from changes in business conditions and other external factors.
- b. Composite Rating 2 (PK-2)
Reflects the Bank's condition which is generally "healthy" so that it is considered capable of facing significant negative influences from changes in business conditions and other external factors.
- c. Composite Rating 3 (PK-3)
Reflects the Bank's condition which is generally "fairly healthy" so that it is considered sufficiently able to withstand significant negative influences from changes in business conditions and other external factors.
- d. Composite Rating 4 (PK-4)
Reflects the Bank's condition which is generally "less healthy" so that it is considered less able to face significant negative influences from changes in business conditions and other external factors.
- e. Composite Rating 5 (PK-5)
Reflects the Bank's condition which is generally "not healthy" so that it is considered unable to face significant negative influences from changes in business conditions and other external factors.

Next determine the weight to assess the overall aspect of the results of each checklist ($\sqrt{\quad}$) multiplied by the number of components. The following is the weight of the composite value of all components assessed:

Table 9. Composite Rating and Assessment Weight on Bank Health Level

Composite Rating (PK)	Weight (%)	Bank Health Level
PK-1	86 - 100	Very Healthy
PK-2	71 - 85	Healthy
PK-3	61 - 70	Fairly Healthy
PK-4	41 - 60	Less Healthy
PK-5	< 40	Not Healthy

Source: SE-BI No. 13/24/DPNP/2011

3. RESEARCH METHODS

This type of research is descriptive quantitative with a research sample period during the covid-19 pandemic, namely 2020-2021. The data used is secondary data, in the form of annual financial reports from Bank Jateng obtained from the Indonesia Stock Exchange

(IDX). The analysis technique uses a risk approach (Risk-based Bank Rating) which includes risk profile ratio analysis factors; corporate governance (GCG); income (profitability); and capital ratios (capital), which are abbreviated as RGEC.

4. RESULTS AND DISCUSSION

Research Result

The results of the recapitulation of the Bank Jateng RGEC financial ratio data can be seen in Table 10 below:

Table 10. Financial RGEC Ratio of Bank Jateng in 2020-2021

Year	NPL	LDR	Self-Assessment (SA)	ROA	ROE	NIM	BOPO	CAR
2020	3.52	86.66	2.06	2.03	16.44	5.72	79.44	19.70
2021	3.17	80.38	2.05	2.20	17.53	6.00	76.89	21.01

Source: Bank Jateng Annual Report 2021 (processed)

The following are the results of the descriptive statistical analysis of Bank Jateng processed with IBM SPSS Statistics 25.

Table 11. Results of Descriptive Statistical Analysis of Bank Jateng

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
NPL	2	3.17	3.52	3.35	0.24749
LDR	2	80.38	86.66	83.52	4.44063
SA	2	2.05	2.06	2.06	0.00707
ROA	2	2.03	2.20	2.12	0.12021
ROE	2	16.44	17.53	16.99	0.77075
NIM	2	5.72	6.00	5.86	0.19799
BOPO	2	76.89	79.44	78.17	1.80312
CAR	2	19.70	21.01	20.36	0.92631
Valid N (listwise)	2				

Source: SPSS data processing output (2022)

The following are the results of the Bank Jateng RGEC ratio composite rating assessment during the 2020-2021 period (Table 12).

Table 12. Composite Rating Assessment Bank Jateng for the 2020-2021 Period

No.	Component	Rating				
		1	2	3	4	5
1	NPL		√			
2	LDR		√			
3	SA		√			
4	ROA	√				
5	ROE	√				
6	NIM	√				
7	BOPO	√				
8	CAR	√				
Composite value		25	12			

Source: Processed data (2022)

Based on the calculations that have been carried out and have been adjusted to the composite rating table of each existing ratio. The number of existing composite ranks is five and multiplied by the ratios used in this study, namely eight ratios, so that the total composite value is $5 \times 8 = 40$.

The actual value is 36. The value is divided by the composite value of 40 and multiplied by 100 percent. The result of this calculation is 95.00%.

$$PK = \frac{37}{40} \cdot 100 = 92.5$$

After obtaining the actual value based on the rating obtained in the calculation, then the value is adjusted to the composite rating table to determine the health level of Bank Jateng for the period 2020-2021. The value will reflect the health condition of the bank in this case Bank Jateng.

Based on the composite rating and the weight of the bank's health level assessment (Table 9), the Bank Jateng for the period 2020-2021 is included in the Composite Rating 1 (PK-1), because the Bank Jateng's PK of 92.5 is in PK-1 with a weight value range of 86 - 100.

Composite Rating 1 (PK-1) reflects Bank Jateng's condition which is generally "very healthy" so it is considered very capable of facing significant negative influences from changes in business conditions and other external factors.

Discussion

Based on descriptive analysis, it is known that the average NPL ratio of Bank Jateng for the period 2020-2021 is in the "Healthy" category. The average LDR ratio of Bank Jateng for the period 2020-2021 is in the "Healthy" category. The average SA composite value of Bank Jateng for the period 2020-2021 is in the "Good" category. The average ROA ratio of Bank Jateng for the period 2020-2021 is in the "Very Healthy" category. The average ROE ratio of Bank Jateng for the period 2020-2021 is in the "Very Healthy" category. The average NIM ratio of Bank Jateng for the period 2020-2021 is in the "Very Healthy" category. The average BOPO ratio of Bank Jateng for the period 2020-2021 is in the "Very Healthy" category. The average CAR ratio of Bank Jateng for the period 2020-2021 is in the "Very Healthy" category.

Bank Jateng for the period 2020-2021 is included in Composite Rating 1 (PK-1), which reflects the general condition of Bank Jateng is "very healthy" so it is considered very capable of facing significant negative influences from changes in business conditions and other external factors.

From the results of the analysis, it can be concluded that during the covid-19 pandemic (2020-2021) the financial performance conditions of Bank Jateng are very healthy. This is because the Bank Jateng has anticipated the covid-19 pandemic. The first anticipation, is short-term, by first overcoming the impact of covid-19 by mapping debtors who are directly affected, indirectly and not affected. As is well known, Financial Services Authority Regulation number 11 of 2020 has determined the economic sectors that are indeed affected and are entitled to credit restructuring. From the mapping, those

who are affected will be restructured. In applying for restructuring, of course, an assessment must be made of each restructuring application, whether it is given a postponement of financing, postponement of interest, and others. Submissions for restructuring from various credit segments also appear. And this is an obligation for Bank Jateng to provide services. Bank Jateng follows government regulations to provide relaxation for customers, especially those directly affected. The second anticipation is to make preventive efforts. Businesses that are not affected, will be given incentives and more actively communicate and monitor customers.

Then Bank Jateng develops fee-based income such as Third Party Funds (DPK). And last but not least, Bank Jateng has made an internal efficiency strategy because conditions during the covid-19 pandemic will erode revenue levels and it could be that future profit growth may not be as high as in past years. So this cost control is important to ensure that Bank Jateng's profits continue to grow well.

On the other hand, Bank Indonesia is also making improvements in the domestic economy is expected to continue gradually. Indonesia's economic growth in 2021 is predicted to remain within Bank Indonesia's projection range of 3.2%-4.0% driven by increasing mobility in line with accelerated vaccination, opening up of broader economic sectors, and continued policy stimulus. The national digital financial economy is increasing rapidly due to the digitalization of the payment system, and the increasing public preference and acceptance of digital technology will further encourage the rapid growth of digital economic transactions, accelerated development of fintech, and digital banking in the future. Bank Indonesia said that there are five policies to synergize in economic recovery. These included fiscal-monetary stimulus, acceleration of financial sector transformation, digitalization of the economy and finance, and acceleration of real sector transformation. To achieve this, the conditions that must be achieved are the synergy of accelerating vaccination and opening priority sectors.

5. CONCLUSION

Bank of Central Java for the period 2020-2021 is included in Composite Rating 1 (PK-1), which reflects the general condition of Bank Jateng is "very healthy" so it is considered very capable of facing significant negative effects from changes in business conditions and other external factors.

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