



RISK-BASED ASSESSMENT OF BANK HEALTH USING THE RGEC METHOD ON SOUTHEAST SULAWESI BANKS 2016-2020 PERIOD

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ABSTRACT

This study aims to find out and analyze knowing and analyzing the Soundness Level of Risk-Based Banks Using the RGEC Method in Southeast Sulawesi banks for the 2016-2020 period. This study uses secondary data in the form of audited financial statements. The Bank's Soundness Level is the result of an assessment of the ability of a Sultra bank to carry out banking operations and be able to fulfill all of its obligations properly and in ways that are under applicable banking regulations. The data analysis technique used is the soundness level assessment technique of the Southeast Sulawesi Bank using a risk approach, namely Risk-Based Bank Rating by calculating the four indicators of the RGEC method.

The results of this study indicate that during 2016-2020: (1) The Risk Profile aspect, which consists of credit risk, was rated Very Healthy with an average value of 1.63 percent, liquidity risk received a fairly healthy criterion with an average value of 96, 96 percent. (2) Aspects of Good Corporate Governance (GCG) get Healthy or good criteria with an average value of 2.1 percent. The Earnings aspect gets Very Healthy criteria with an average value for ROA of 3.86 percent, and for NIM the average value is 7.5 percent. The Capital aspect gets very healthy criteria with an average value of 25.61 percent. (5) The RGEC aspect as a whole in 2016-2020 is in Composite 1, namely Very Healthy.

Keywords: *Bank Soundness Level, RGEC Method*

INTRODUCTION

Banking has a very important role in advancing the country's economy. This is because the bank has the main function as an intermediary institution that connects surplus parties to save money at the bank in the form of savings, current accounts, and deposits while deficit parties borrow money from banks in the form of credit. In carrying out this role, public trust is needed regarding the performance of the bank.

The establishment and growth of banking institutions in Indonesia are in line with the development of the national economy. This is because, in the economy, banking institutions are financial intermediary institutions and play a role as institutions that provide payment instruments and at the same time act as one of the sources of funds so that economic growth increases. According to research by Thierry et al (2016), financial developments including bank credit can lead to economic growth. Apart from serving as a provider of funds, banking institutions also serve as institutions that carry out a monetary policy through instruments of interest rates and the amount of money in circulation. The circulation of amount of money in circulation will affect production and the economy due to changes in public consumption, thus driving up prices (Sudirman, 2013).

Many efforts have been made by banks to attract as many customers as possible. The bank is not only a place to keep money for those who have excess funds and as a source of funds for those who need funds, but also provides more flexible services. Banking products and services offered are also increasingly diverse and provide convenience in transactions. Great public interest in banks is based on an element of trust. To always be trusted by the public, it is necessary to measure the soundness level of all banks. Bank soundness level assessment is used to determine whether the bank is in very healthy, healthy, moderately healthy, less healthy, or unhealthy conditions. From the results of the assessment of the health level,

One of the main indicators used as the basis for assessing the soundness of a bank is the financial statements of the bank concerned. Financial reports are reports that show the company's financial condition at this time or in a certain period (Kasmir, 2012). Financial statements aim to provide information regarding the financial position of a company that is useful for a large number of users in making decisions. From the financial statements it will be seen how the actual condition of the bank. From the financial reports, many ratios can also be calculated which are commonly used as the basis for assessing the soundness of a bank.

Trisnawati (2014) explains that banking business activities are continuously faced with credit risks related to bank functions, namely intermediary institutions. These risks include credit risk, market risk, operational risk, liquidity risk, legal risk, strategic risk, compliance risk, and reputation risk. Because there are so many risks faced by banks, in the end, it demands that Bank Indonesia make improvements to the method for assessing the soundness of a bank.

Facing increasingly fierce competition in the banking sector, public trust is one of the keys to success that drives the company's progress. From this, the positive performance shown by Bank Sultra throughout the year was consistently maintained towards the close of 2020. In a business climate that is full of challenges and forces many companies to experience growth stagnation, Bank Sultra continues to progress and grow. This performance achievement shows the resilience and flexibility of Bank Sultra in a pandemic situation. Looking at the performance record for the third quarter of 2020, Bank Sultra on a consolidated basis managed to earn a net profit of IDR 214,259 million during the third half of 2020 or grew by 7.61% year-on-year (yoy). The profit growth resulted from the total asset value of Bank Sultra which also grew by 11.11% yoy to Rp. 11,114,186 Million. In increasing assets, Bank Sultra's third-party funds contributed a significant increase of 37.72% to IDR 9,359. 236 Million. Loan distribution, which became a profit driver in the third quarter of 2020, grew 5.24% yoy with a total value of IDR 6,805,983 million. Although it is undeniable that the weak national economy has also affected Bank Sultra's credit growth. However, Bank Sultra remains optimistic that it can contribute to supporting the economy in Southeast Sulawesi. This credit growth was accompanied by the maintained non-performing loan (NPL) ratio. Bank Sultra's NPL performance as of September 2020 was 1.56%, which is still in the healthy category and is under regulatory provisions, which is as high as 5%. Although it is undeniable that the weak national economy has also affected Bank Sultra's credit growth. However, Bank Sultra remains optimistic that it can contribute to supporting the economy in Southeast Sulawesi. This credit growth was

accompanied by the maintained non-performing loan (NPL) ratio. Bank Sultra's NPL performance as of September 2020 was 1.56%, which is still in the healthy category and is under regulatory provisions, which is as high as 5%. Although it is undeniable that the weak national economy has also affected Bank Sultra's credit growth. However, Bank Sultra remains optimistic that it can contribute to supporting the economy in Southeast Sulawesi. This credit growth was accompanied by the maintained non-performing loan (NPL) ratio. Bank Sultra's NPL performance as of September 2020 was 1.56%, which is still in the healthy category and is under regulatory provisions, which is as high as 5%.

Bank Sultra was able to take advantage of the challenging momentum during the COVID-19 pandemic with convincing steps. This achievement can also provide positive confidence to the public and investors in the performance of Bank Sultra in the future. During the third quarter of 2020, Bank Sultra remains aware of various aspects of the impact of the COVID-19 pandemic and will prioritize the management and security of Human Resources in all branches by following directions from the Government and Regulators. Meanwhile, for the management of risk management, the bank continues to prioritize prudential principles (prudential banking).

LITERATURE REVIEW

Banks Concept

Banks are institutions that have a basic role as intermediaries between owners of funds (surplus pending units) and borrowers of funds (deficit spending units) so that banks have basic and main products in the form of savings and loans (Sulhan, 2008: 10). In general, banks are known as financial institutions whose main task is to receive savings, demand deposits, and time deposits. Banks are also known as a place to channel credit to people who need it for business activities. Then the bank is known as a place to transfer money, exchange money, and accept various forms of payment, such as payment of tickets, electricity, telephone, taxes, water, tuition fees, and other forms payment. Simply,

Mentioning the word bank everyone will associate with money, there is always an assumption that anything related to a bank has something to do with money. This is not wrong, because the bank is a financial institution engaged in finance.

The term bank is not a foreign term for the public, but in reality, there are still many people who do not know how a bank is. Bank comes from Italian which means a table used by money changers in the market, but at that time what the Italians were doing did not mean banking activities.

Banks are financial institutions that play a very important role in economic development. Not only as an institution that collects and provides funds but also motivates and encourages innovation in various branches of economic activity.

Bank Health Level

Bank health is the bank's ability to carry out banking operations normally and be able to fulfill obligations properly and in ways that are under applicable banking regulations (Santoso, 2006:51). The soundness of a bank, which is a reflection of the condition and performance of a bank, is a means for the supervisory authority in determining the strategy and focus of supervision of the bank. In addition, the health of the bank is also in the interest of all related parties, both owners, managers (management), and the public who use bank services. (Rizki Yudha, 2013). Bank health for banking institutions is also an important aspect. The soundness of the bank is a means for the supervisory authority to provide oversight to the bank. In simple terms, a healthy bank is a bank that can carry out bank functions properly.

Bank health is defined as the ability of a bank to carry out banking operations normally and be able to fulfill all of its obligations properly in ways that comply with applicable banking regulations. The soundness level of a bank is an important aspect that can be used by all parties involved to find out the current condition of a bank. This can also be used as a reference for related parties who plan to deposit their funds in a bank. (Budisantoso, 2006) argues that bank health is the bank's ability to carry out banking operations normally and be able to fulfill obligations properly and in ways that are under applicable banking regulations.

Bank Soundness Level Using RGEC Method Risk Profile Assessment

1. Credit Risk

Credit risk is the risk due to the failure of the debtor and/or other parties to fulfill their obligations to the bank. Credit risk can be calculated using the following formula:

$$\text{NPL} = \frac{\text{Non - Performing Loan}}{\text{Total Credit}} \times 100\%$$

2. Liquidity Risk

Liquidity risk can also be caused by the inability of banks to liquidate assets without being subject to material discounts due to the absence of an active market or severe market disturbances. This risk is also known as market liquidity risk. Funding liquidity risk can be calculated using the following formula:

$$\text{LDR} = \frac{\text{Total Credit}}{\text{Third - party funds}} \times 100$$

Assessment of Good Corporate Governance (GCG)

The assessment of the Good Corporate Governance factor is an assessment of the quality of the bank's management for the implementation of GCG principles. GCG principles and focus on evaluating the implementation of GCG principles are guided by Bank Indonesia regulations regarding the implementation of GCG for commercial banks by taking into account the characteristics and complexity of the bank's business. GCG itself has several definitions according to several experts. According to the Forum for Corporate Governance in Indonesia (FCGI), GCG is a set of regulations governing the relationship between shareholders, management (managers) of the company, creditors, government, employees, and other internal and external stakeholders relating to their rights and obligations or in other words a system that controls the company.

Earnings Assessment

Earnings factor assessment includes evaluation of profitability performance, profitability sources, profitability sustainability, and profitability management. The assessment is carried out by considering the level, trend, structure, and stability of bank profitability, and comparison of bank performance with a peer group performance, both through analysis of quantitative and qualitative aspects. In determining the peer group, both through analysis of quantitative and qualitative aspects.

1. Return On Assets (ROA)

Return On Assets (ROA) is a profitability ratio that shows the comparison between profit before tax and the bank's total assets. This ratio is used to measure a bank's ability to generate profits at its income level.

$$\text{ROA} = \frac{\text{Profit before tax}}{\text{Average Total Assets}} \times 100\%$$

2. Net Interest Margins (NIM).

Net Interest Margins (NIM) is a ratio that compares a bank's ability to generate net interest income with placements of earning assets. This ratio is used to see how much the bank's ability to manage all its productive assets is to generate higher profits.

$$\text{NIM} = \frac{\text{Net Interest Income}}{\text{Average Productive Assets}} \times 100\%$$

Capital Assessment (Capital)

Capital or capital has indicators including capital adequacy ratio to anticipate potential losses under the risk profile accompanied by very strong capital management under the characteristics, business scale, and complexity of the bank's business.

The ratio used to measure the capital factor is the Capital Adequacy Ratio (CAR) or the capital adequacy ratio. Capital Adequacy Ratio (CAR) or capital adequacy ratio is a comparison ratio between capital and risk-weighted assets. Under the standards set by the Bank of International Settlements (BIS), the amount of each bank's CAR is at least 8% of risk-weighted assets (RWA). (PBI No.10/15/PBI/2008). The greater the CAR, the better the bank's capital ability in financing bank assets containing risk, and vice versa if the smaller the CAR, the worse the bank's ability to finance bank assets containing risk. In addition, in assessing capital adequacy, banks must also be prepared to anticipate these risks.

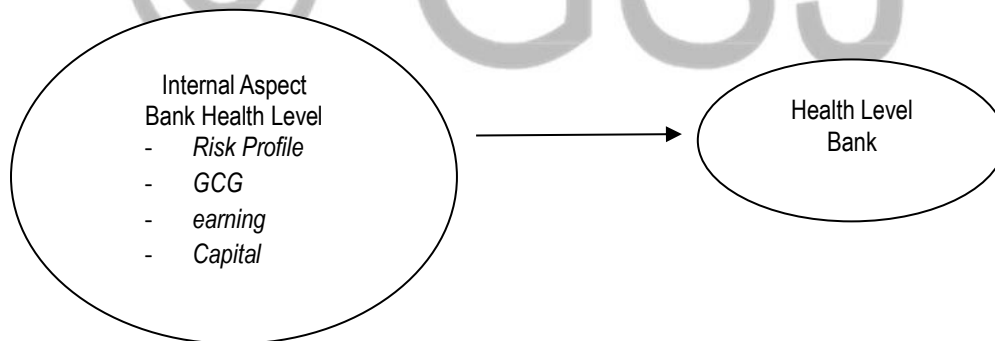
$$CAR = \frac{\text{Bank Capital}}{(\text{ATMR})}$$

Conceptual Framework

The research conceptual framework explains theoretically the conceptual model of the research variables, about how the theories relate to the research variables to be studied, namely the independent variable and the dependent variable (Iskandar 2008:54). The dependent variable in this study is risk-based financial statements, while the independent variable in this study is the soundness of the bank.

The research concept framework is an arrangement of logical constructs arranged to explain the variables studied. Where this framework is formulated to explain the construction of the flow of logic to study empirical reality systematically. Based on the existing framework, the conceptual framework used is as follows:

Figure 1. Research Conceptual Framework



RESEARCH METHODS

Types of Research

This research is a type of quantitative research using descriptive studies, namely research that formulates and interprets existing data to provide a clear picture through existing data collection to provide a clear picture through collecting, compiling, and analyzing data so that an overview of the object under study can be known.

Object of Research

The object of this research is the Risk-Based Bank Soundness Rating at the Bank of Southeast Sulawesi. This research was measured using the RGEC approach (Risk Profile, Good Corporate Governance, Earnings, and Capital in 2016-2020).

Data Types and Sources

The type of data used in this study is quantitatively taken from the financial reports of Bank Sultra for the 2016-2020 period.

The data source in this study uses secondary data, so the method used in collecting data in this study is to use the documentation method, namely data collection by collecting data from the financial reports of the Kendari branch of the Sultra bank for the 2016-2020 period obtained from the Sultra bank website (www.bi.go.id) as well as other sources related to this research.

Data Collection Technique

The data collection technique in this study was carried out through a literature study. A literature study is a data collection method that can be carried out by observing data from supporting literature and books. In this study data collection was carried out by:

1. Bank Sultra financial report data for the 2016-2020 period.
2. Data or information obtained from books, references, journals, articles, and news related to this research.

Data Analysis Technique

The data analysis technique used is the soundness level assessment technique of the Southeast Sulawesi bank using a risk-based approach, namely risk Based Bank Rating by calculating four indicators in the RGEC method, namely:

1. Risk Profile (Risk Profile) by calculating NPL (Non-Performing Loan) as an aspect of credit risk and LDR (Loan to Deposit Ratio) as an aspect of liquidity risk.
2. GCG (Good Corporate Governance) is taken on the financial reports of the Bank of Southeast Sulawesi based on the method of self-assessment (Self Assessment).
3. Earnings (Rentability) by calculating ROA (Return on Assets) and NIM (Net Interest Margin).
4. Capital (Capital) by calculating CAR (Capital Adequacy Ratio).
5. Summarize and determine the PK (Composite rating) at the soundness level of the bank taken based on a comprehensive analysis.
6. Determination of composite rating is categorized into 5 (five) composite ratings, namely PK-1 (Composite Rating 1), PK-2 (Composite Rating 2), PK-3 (Composite Rating 3), PK-4 (Composite Rating 4), and PK -5 (Composite Rating 5). The Composite Rating, of an order of magnitude smaller, represents a more stable bank condition.

RESULT AND DISCUSSION

Data Analysis

Based on OJK regulation number 11/POJK.03/2016, concerning the Assessment of Bank Soundness Levels individually using a risk approach (Risk Based on Bank Rating) with the scope of assessment of the following factors:

1. Risk Profile

The financial ratios used in assessing the soundness of a bank are viewed from the risk profile aspect in this study using two indicators, namely credit risk using the NPL formula and liquidity risk using the LDR formula.

a. NPL (Non-Performing Loan)

The NPL ratio can show a bank's ability to manage non-performing loans from the amount of credit provided by the bank. The NPL ratio is obtained from non-performing loans in the form of loans to non-bank third parties which are classified as substandard, doubtful, and loss divided by total loans to non-bank third parties.

Following are the results of calculating the NPL ratio at Bank Sultra for the 2016-2020 period which can be seen in Table 1. which is clarified by the following calculation process:

Table 1. The soundness of Southeast Sulawesi banks based on the NPL ratio

| Year | NPLs | Information |
|---------|--------|--------------|
| 2016 | 2.30 % | Healthy |
| 2017 | 1.82 % | Very healthy |
| 2018 | 1.41 % | Very healthy |
| 2019 | 1.25 % | Very healthy |
| 2020 | 1.35 % | Very healthy |
| Average | 1.63 % | Very healthy |

Source: Secondary data processed by researchers

The company measures the collectibility level, one of which is through the collectibility of financing provided through the Non-Performing Loan (NPL) ratio or the non-performing loan ratio with total loans in 2020 reaching 1.35% while in 2020 it reached 1.25%. Factors contributing to the 2020 NPL were due to the impact of the Covid-19 Pandemic so that debtors generally experienced a decrease in turnover, especially for productive businesses. Likewise, consumer credit debtors experienced NPLs due to several factors, such as in general, FLPP (Housing Finance Liquidity Facility) credit debtors experienced an increase in NPLs because some debtors (private jobs) experienced reduced income due to the impact of Covid-19. Another factor was the vertical displacement of ASN.

On the other hand, (Non-Performing Loans) or the ratio of non-performing loans in 2020 also shows an improving trend because efforts to save problem loans continue to be maximized. Details of the credit quality of Southeast Sulawesi banks in the 2016-2020 period are as follows:

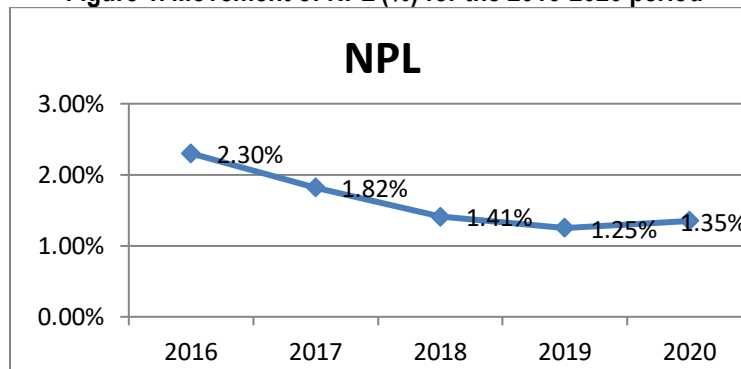
Table 2. Bank Sultra Collectibility Level (In million rupiah)

| No. | Description | 2016 (IDR) | 2017 (IDR) | 2018 (IDR) | 2019 (IDR) | 2020 (IDR) |
|--------------|-------------------------|---------------|---------------|---------------|---------------|---------------|
| 1 | Fluent | 3,591,407 | 4,483,507 | 5,271,790 | 6,307,394 | 6,846,696 |
| 2 | In Special Attention | 31,340,612 | 43,391,302 | 59,117 | 78,984 | 61,797,427 |
| 3 | Not that smooth | 1,484,385 | 1,669,645 | 4,792 | 4,443 | 7,669,930 |
| 4 | Doubtful | 3,529,581 | 2,002,060 | 4,026 | 3,147 | 7,171,064 |
| 5 | Congested | 80136560 | 80,474,632 | 67,621 | 73,383 | 80036632 |
| Total | | 3,707,898 | 4,611,044 | 5,407,346 | 6,467,351 | 7,003,371 |

Source: Bank Sultra Annual Report

Furthermore, to see the movement of the NPL ratio of banks in Southeast Sulawesi for the 2016-2020 period, it can be clarified again in the graph which can be seen in Figure 1 as follows:

Figure 1. Movement of NPL (%) for the 2016-2020 period



Based on Figure 1, the NPL value of Bank Sultra for the 2016-2020 period experienced a negative trend. This is evidenced by the decrease in the NPL value from 2016 to 2019 in

assessing the level of credit risk using Net Performing Loans (NPL). It can be seen that the NPL value in 2016, which was 2.30, decreased to 1.82% in 2017, then decreased by 1.41 in 2018 and 1.25 in 2019. Then it rose again in 2020 to 1.35 %. The increase in NPLs in 2020 was due to the large number of housing assistance loans or FLPP (Housing Finance Liquidity Facility) which have stalled since the Covid-19 outbreak. However, Bank Sultra was able to reduce the NPL value in 2016 by Rp. 80,136 million to Rp. 80.036 million in 2020.

b. LDR (Loan to Deposit Ratio)

The LDR ratio is a comparison between total loans with non-bank third parties consisting of savings, demand deposits, and time deposits. The LDR ratio is used to measure the ratio of the amount of credit extended by a bank to the funds received by the bank, which illustrates the bank's ability to pay back the withdrawal of funds by the public by relying on the credit provided as a source of liquidity. The following is the result of calculating the LDR ratio for banks in Southeast Sulawesi for the period 2016-2020 which is clarified by the following calculation process:

Table 3. The health of Southeast Sulawesi banks based on the LDR ratio

| Year | LDR | Information |
|----------------|----------|----------------|
| 2016 | 97.72 % | Healthy Enough |
| 2017 | 103.51 % | Unwell |
| 2018 | 101.38 % | Unwell |
| 2019 | 95.17 % | Healthy Enough |
| 2020 | 87.03 % | Healthy Enough |
| Average | 96.96 % | Healthy Enough |

Source: Secondary data processed by researchers

Based on Table 3, the Southeast Sulawesi Bank received a Fairly Healthy rating on the LDR ratio, but in 2017 and 2018 the Sultra Bank received an Unhealthy rating on the LDR ratio, where the resulting ratios were 103.51% and 101.38%. These results indicate that the LDR value of the Sultra Bank in 2017-2019 is said to be unhealthy, thus the Sultra Bank is said to be less able to maintain its liquidity in the 2017-2018 period, but in 2019 and 2020 the LDR ratio of the Sultra Bank fell to 95.17% and 87% .03 %. This shows that the LDR value of the Sultra bank in 2019 and 2020 is said to be Fairly Healthy, in this case, the Sultra Bank can maintain its liquidity well again in 2019-2020, according to the rules from Bank Indonesia.

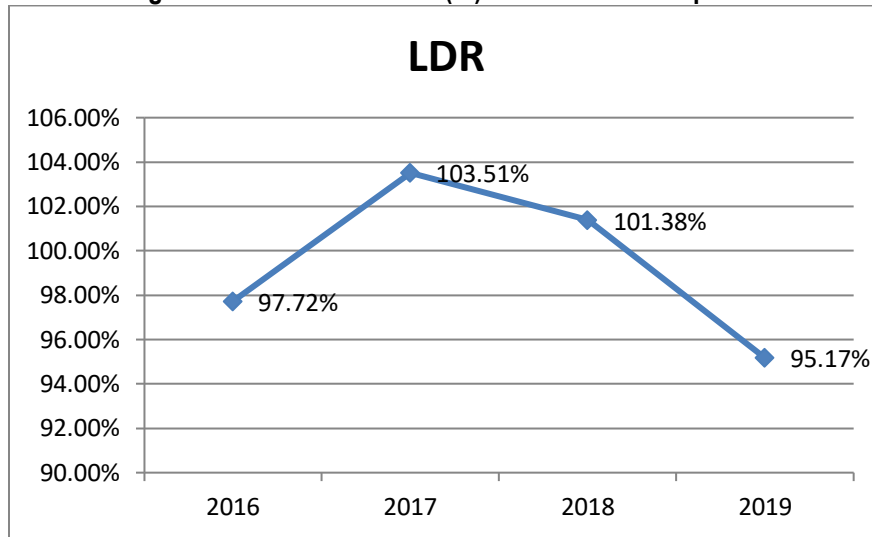
Table 4. Bank Sultra's Third Party Funds (In million rupiah)

| Third-party funds | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------------------|-----------|-----------|-----------|-----------|-----------|
| giro | 1,524,760 | 1,102,397 | 1,275,783 | 1,601,013 | 1,396,897 |
| Savings | 1,159,410 | 1,423,405 | 1,745,873 | 2,171,464 | 2,199,694 |
| Deposit | 1,110,267 | 1,928,851 | 2,312,112 | 3,023,351 | 4,450,233 |

Source: Bank Sultra Annual Report

Furthermore, to see the movement of the LDR ratio of banks in Southeast Sulawesi for the 2016-2020 period, it can be clarified again in the graph which can be seen in Figure 2 as follows:

Figure 2. Movement of LDR (%) for the 2016-2020 period



Based on Figure 2 on the movement of the LDR ratio of Bank Sultra for the 2016-2020 period, it can be seen that the risk value calculated by the LDR ratio in 2016-2020 has increased the value of liquidity risk. This can be interpreted that in that year there was a decrease in the bank's ability to liquidate assets. Even though during this vulnerable period there was an increase in risk, it was still within the criteria of being quite healthy.

2. Good Corporate Governance (GCG)

The provision of GCG criteria is carried out by banks on a self-assessment basis but under the supervision of the Financial Services Authority (OJK). The following are the results of the Southeast Sulawesi Bank self-assessment for the 2016-2020 period which can be seen in Table 5.

Table 5. The health of Bank Sultra based on GCG Value

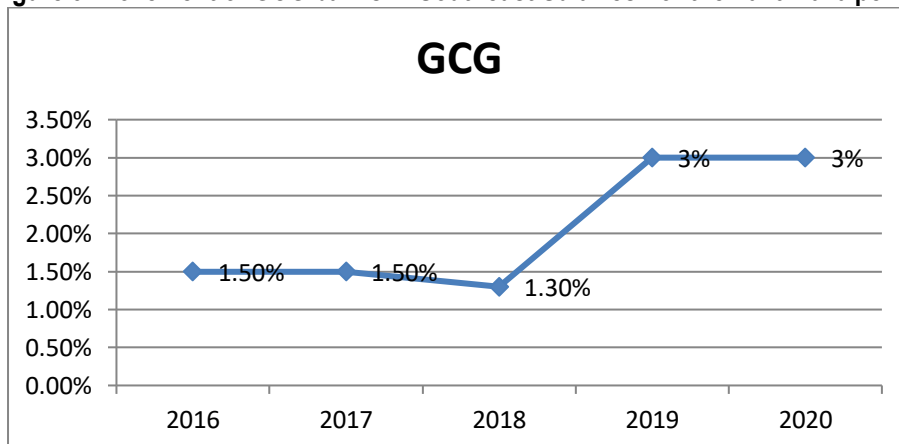
| Year | Rating | Information |
|----------------|------------|----------------|
| 2016 | 1.5 % | Very healthy |
| 2017 | 1.5 % | Very healthy |
| 2018 | 1.3 % | Very healthy |
| 2019 | 3 % | Healthy Enough |
| 2020 | 3 % | Healthy Enough |
| Average | 2,1 | Healthy |

Source: Secondary data processed by researchers

Based on Table 5 above, the assessment of the soundness level of a bank based on the GCG ratio earned the title of Very Healthy in 2016 and 2017 with a value of 1.5%, and in 2018 it became 1.3%. However, from 2019 to 2020, the GCG value will increase to 3% with a Fairly Healthy predicate. But in this case, the Southeast Sulawesi Bank is still in the healthy category with an average score of 2.1%.

Furthermore, to see the movement in the GCG value of the Southeast Sulawesi Bank for the 2016-2020 period, it can be clarified again in the graph which can be seen in Figure 3 as follows:

Figure 3. Movement of GCG banks in Southeast Sulawesi for the 2016-2020 period



In chart 3 it can be seen that the movement of the GCG assessment at the Southeast Sulawesi Bank has fluctuated. In 2016 and 2017 the GCG value was 1.50 which means it has a Healthy rating. In 2018 the GCG value decreased to 1.31 indicating that the implementation of GCG was getting better. However, in 2019 and 2020 GCG decreased again to a fairly healthy rating with a GCG score of 3. This means that the implementation of GCG in 2016-2018 is better than in 2019 and 2020.

3. Profitability (Earning)

The financial ratios used in assessing the soundness of a bank in terms of the earning aspect in this study use the NIM and ROA ratios.

a. ROA (Return On Assets)

ROA (Return On Assets) is one of the profitability ratios that can show the success of a bank in generating profit or profit by optimizing its assets. ROA is obtained from profit before tax divided by the average total assets in one period. This ratio is calculated to measure the success of management in generating profits. The smaller the ROA ratio means that the bank is less able to manage its assets to increase revenue and reduce costs. The following is the result of calculating the ROA ratio at Southeast Sulawesi banks for the 2016-2020 period as seen in Table 6 as follows:

Table 6. Bank Sultra Health based on ROA Ratio

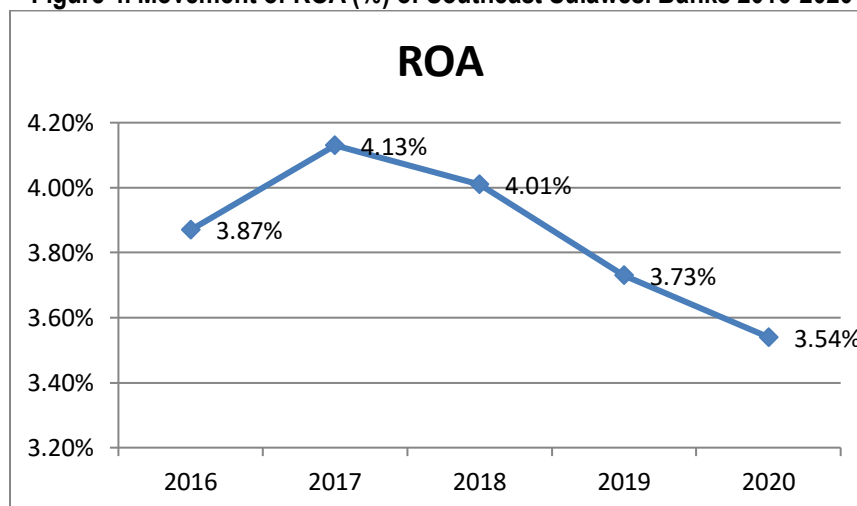
| Year | ROA | Information |
|---------|--------|--------------|
| 2016 | 3.87 % | Very healthy |
| 2017 | 4.13 % | Very healthy |
| 2018 | 4.01 % | Very healthy |
| 2019 | 3.73 % | Very healthy |
| 2020 | 3.54 % | Very healthy |
| Average | 3.86 % | Very healthy |

Source: Secondary data processed by researchers

In Table 6 above, the health of Bank Sultra in the assessment based on the Return On Assets (ROA) ratio from 2016-2020 received the title of very healthy with an average value of 3.86%

Furthermore, to see the movement in the ROA assessment of the Southeast Sulawesi Bank for the 2016-2020 period, it can be clarified again in the graph which can be seen in Figure 4 as follows:

Figure 4. Movement of ROA (%) of Southeast Sulawesi Banks 2016-2020



The ROA movement in Figure 4 shows that the ROA assessment at Southeast Sulawesi banks in 2016-2020 experienced a very significant increase. It can be seen that from 2016 to 2020 it continues to experience a significant increase. It can be seen that the value of profit before tax is Rp. 222,234 million in 2016 increased to IDR 341,690 million in 2020. This proves that the ROA assessment of the Southeast Sulawesi Bank has a very healthy rating.

b. Net Interest Margins (NIM)

Net Interest Margins (NIM) are used as a measuring tool to determine the level of profitability obtained by the bank and net interest income on productive assets or assets that generate net interest. The NIM ratio is obtained from net interest income divided by average earning assets. Net interest income is interest income after deducting interest expense. Earning assets that are taken into account are assets that generate interest. The average earning assets in a period are obtained by adding up the value of the earning assets at the beginning of the period with the value of the earning assets at the end of the period then dividing by two. Following are the results of calculating the NIM ratio at Southeast Sulawesi banks for the 2016-2020 period which can be seen in Table 7 as follows:

Table 7 Bank Sultra Health based on the NIM ratio

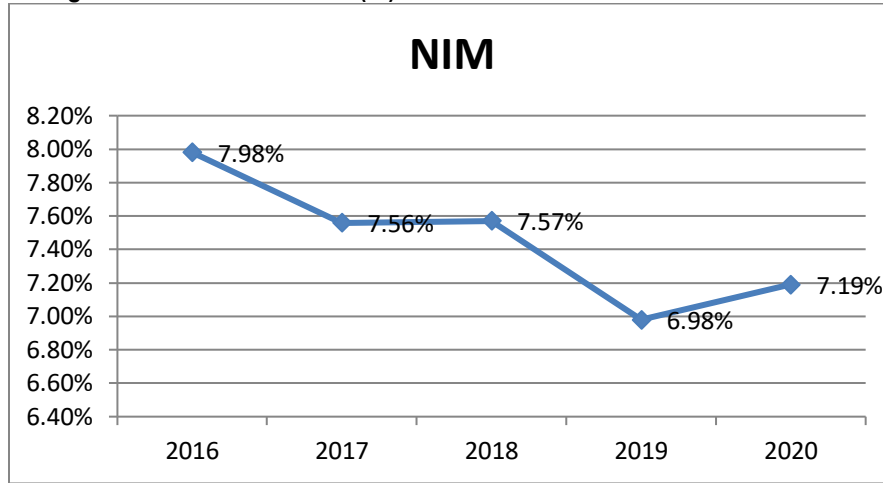
| Year | NIM | Information |
|---------|--------|--------------|
| 2016 | 7.98 % | Very healthy |
| 2017 | 7.56 % | Very healthy |
| 2018 | 7.57 % | Very healthy |
| 2019 | 6.98 % | Very healthy |
| 2020 | 7.19 % | Very healthy |
| Average | 7.5 % | Very healthy |

Source: Secondary data processed by researchers

Table 7 above explains the soundness level of Southeast Sulawesi banks in 2016-2020 from a Net Interest Margin (NIM) perspective, they still have a Very Healthy rating with an average value of 7.5% in the last 5 years.

Furthermore, to see the movement of the NIM assessment at Southeast Sulawesi banks for the 2016-2020 period, it can be clarified again in the graph which can be seen in Figure 5 as follows:

Figure 5. Movement of NIM (%) of Southeast Sulawesi Banks 2016-2020



The NIM movement in chart 5 illustrates that the movement in the value of the ratio in Southeast Sulawesi banks for the 2016-2020 period shows fluctuating movements. In 2016 the NIM value was 7.98 and in 2016 it dropped to 7.56%, although it was still a very healthy rating, until 2018 it was still with the same rating, namely 7.57. However, in 2019 it decreased to 6.98. This is due to a significant decrease in the average total asset value. The average total assets in 2016 reached Rp. 7,852 million decreased to Rp. 6,763 million. However, in terms of NIM, the Southeast Sulawesi Bank has a very healthy rating.

4. Capital

The financial ratio used in assessing the soundness level of commercial banks in terms of capital aspects in this study is the Capital Adequacy Ratio (CAR). The CAR ratio is used to measure the adequacy of the bank's capital to support assets that contain or generate risk. CAR is a comparison ratio between Capital and Risk Weighted Assets (RWA). There are three types of risk referred to here, namely credit risk, operational risk, and market risk. The following table calculates the CAR ratio of Sultra banks for the period 2016-2020 which can be seen in table 8 as follows:

Table 8. The health of Bank Sultra Based on CAR Ratio

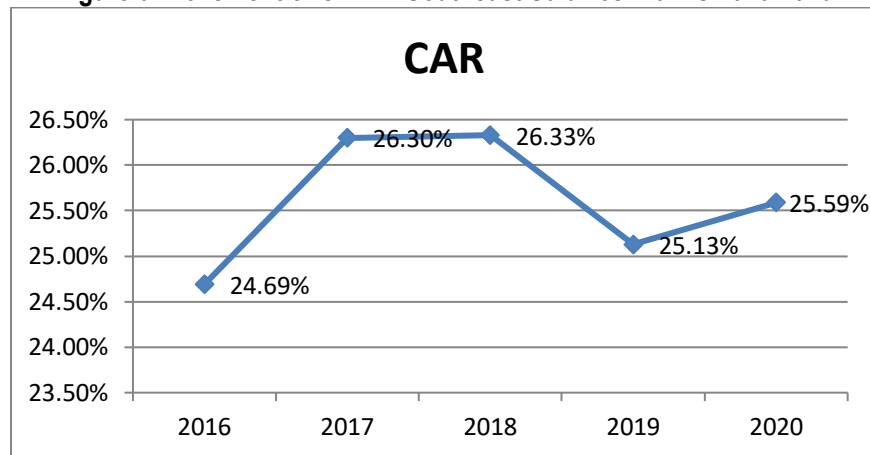
| Year | CAR | Information |
|---------|---------|--------------|
| 2016 | 24.69 % | Very healthy |
| 2017 | 26.30 % | Very healthy |
| 2018 | 26.33 % | Very healthy |
| 2019 | 25.13 % | Very healthy |
| 2020 | 25.59 % | Very healthy |
| Average | 26.61 % | Very healthy |

Source: Secondary data processed by researchers

Table 8 above shows the health of Bank Sultra in terms of CAR with a Very Healthy predicate in 2016 with a value of 24.96% and in 2020 with a value of 25.59% and the average value of the CAR ratio of Sultra banks in 2016-2020 is 26, 61 with the title Very Healthy.

Furthermore, to see the movement in the CAR assessment of the Southeast Sulawesi Bank for the 2016-2020 period, it can be clarified again in the graph which can be seen in Figure 6 as follows:

Figure 6. Movement of CAR in Southeast Sulawesi Banks 2016-2020



The graph above illustrates the movement of the CAR ratio which tends to be positive or has a higher value. However, in 2019 it experienced a slight decrease with a CAR value of 25.13%, which was previously in 2018, which was 26.33%, although it experienced a decrease, it still had the same rating, namely very healthy. In the following year, 2020, the CAR value increased to 25.59%. This was due to an increase in capital from 2019 which amounted to Rp. 1,177,022 million to Rp. 1,295,212 million in 2020.

RESEARCH LIMITATIONS

The limitation of this research is that the Sultra Bank only includes the ranking results from the self-assessment of Good Corporate Governance assessments so researchers cannot conduct a through assessment of the GCG self-assessment.

CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on the formulation of the problem in this study, the results of the research, and the discussion conducted, it can be concluded that the soundness level of the Southeast Sulawesi banks using the RGEC (Risk Profile, Good Corporate Governance, and Capital) method for the 2016-2020 period experienced a slight decline in 2019-2020. However, it is still in the Very Healthy criteria, namely obtaining a composite rating of 1 (PK 1) reflecting that the condition of the bank is generally very healthy so that it is considered very capable of dealing with significant negative influences from changes in business conditions and other external factors as reflected in the criteria for assessment factors, among other risk profile, good corporate governance, earnings and capital which is generally very good.

Suggestion

1. For the Bank
 - a. We recommend that Sultra Bank include aspects of the self-assessment assessment of the implementation of Good Corporate Governance to provide comprehensive information about the self-assessment assessment.
 - b. It is recommended that Southeast Sulawesi Bank further improve operational performance to increase profits in the following years.
2. For Further Researchers

For future researchers, it is expected to add the period that will be used for research to obtain comprehensive and accurate, and more complete calculations and analysis in calculating bank performance using the RGEC method and add research on the factors that influence the risk-based assessment of bank soundness using the RGEC method.

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