

## BANK HEALTH LEVEL ASSESSMENT ANALYSIS USING THE RISK BASED BANK RATING METHOD

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### ABSTRACT

*The purpose of this research is to assess the level of bank health at Persero Conventional Commercial Banks in an effort to maintain the loyalty and trust of customers and the public. Financial institutions function as institutions that collect funds from the community and reuse them for the community, so that community participation can be increased and ultimately the nation's independence in development can be realized. This research uses the Risk Based Bank Rating method which consists of assessments, namely Risk Profile, Earnings and Capital to assess the health level of Persero Conventional Commercial Banks registered with Bank Indonesia for the period 2017 – 2021. Data collection techniques used by the author to obtain secondary data. Data relating to the research object was obtained from the official Bank Indonesia website. The results of this research show that the Risk Profile Conditions for credit risk and liquidity risk for banks that have received the title of less than healthy and quite healthy, banks should be careful in terms of lending. The condition of profitability at Bank Negara Indonesia, Bank Rakyat Indonesia, Bank Tabungan Negara and Bank Mandiri, which have a bank health level of composite rank one with the description of being very healthy, needs to be maintained. The overall capital condition received the title of very healthy.*

**Keywords:** Risk Based Bank Rating, Risk Profile, Earnings, Capital

### INTRODUCTION

Large financing and investment is needed for development. The role of financial institutions functions as an institution that collects funds from the community and reuses them for the community, so that community participation can be increased and ultimately the nation's independence in development can realize economic growth and national stability towards improving the people's standard of living.

In Banking Law no. 10 of 1998 has also stated that Bank Indonesia has the authority to carry out an assessment of a bank's performance, which can be done by analyzing financial reports. The measurement of a bank can be measured through financial ratios.

In the world of banking, bank health is an important element in the survival of a banking institution. A bank can be said to be healthy if it can maintain security and public money stored in the bank, can develop well and is able to make a meaningful contribution to social economic development (Taswan, 2013).

The health of a bank is important for the formation of trust in the banking world and to implement the principle of prudence (Prudential Banking) in the banking world, so Bank Indonesia needs to establish regulations regarding bank health. With the existence of these

regulations regarding bank health, banks are expected to always be in a healthy condition, so that they will not harm the people involved in banking (Nuritomo, 2015).

The health of a bank is reflected in the financial reports issued by the bank where these financial reports have been audited by a public accounting firm. Banking health assessments are carried out every period. For banks that are considered healthy or whose health is improving, this is not a problem, but for banks that are continuously unhealthy.

#### **Bank Health**

Bank health is a bank that can carry out its functions well, that can maintain and maintain public trust, can carry out intermediation functions, the government in implementing various policies, especially monetary policy (Umar, 2015).

#### **Risk Profile**

Risk Profile is the basis for assessing the current level of bank health because every activity carried out by a bank is very likely to cause risks (D'Agostino et al., 2008). Bank Indonesia explains the risks taken into account in assessing the health level of banks using the Risk-Based Bank Rating method in Bank Indonesia Circular Letter No.13/24/DNPN on 25 October 2013 consisting of: credit risk, market risk, liquidity risk, risk operational, legal risk, strategic risk, compliance risk and reputation risk.

#### **Profitability (earnings)**

Profitability (earnings) is one of the factors used in measuring the level of bank health. Assessment of this factor includes profitability performance, sources of profitability, sustainability of profitability, and profitability management (Judijanto & Khmaladze, 2021; Prima, 2018).

#### **Capital factor (Capital)**

The capital factor (Capital) can be assessed using a financial ratio, namely the Capital Adequacy Ratio (CAR). Based on SE BI No. 26/2/BPPP regulates that the minimum capital requirement or CAR is measured from a certain percentage of Risk Weighted Assets (RWA) of 8% of RWA (Prima, 2018).

### **METHODS**

This research uses a descriptive quantitative approach (Sugiyono, 2019). The method established by Bank Indonesia in assessing bank health is a method using a risk approach.

Population is the entire group of people, events, objects that researchers are interested in studying (Syukrina Janrosl et al., 2022). The population in this research is Persero Conventional Commercial Banks registered with Bank Indonesia. From the criteria of the purposive sampling method, the samples used in this research were Bank Negara Indonesia (Persero), Bank Rakyat Indonesia (Persero), Bank Tabungan Negara (Persero) and Bank Mandiri (Persero).

The data collection techniques used by the author to obtain secondary data needed to carry out this research are documentation and literature (Putra Prima & Cuang, 2022). Secondary data was obtained indirectly from literature and reports related to the research object. Data relating to the research object was obtained from the official Bank Indonesia website [www.bi.go.id](http://www.bi.go.id), namely financial data from the Persero Conventional Commercial Bank.

The data analysis used is a financial report analysis technique using the approach of Bank Indonesia Regulation Number 13/1/PBI/2011 concerning Assessment of the Soundness Level of Commercial Banks. The assessment is carried out using the following indicators (Bank Indonesia, 2011):

1. Risk profile uses Net Performing Loan (NPL) and Loan to Deposit Ratio (LDR).
2. Earnings uses Return On Assets (ROA) and Net Interest Margin (NIM).
3. Capital uses the Capital Adequacy Ratio (CAR).

## RESULTS AND DISCUSSION

The outcomes of the data processing that was done, including the following, show the results of this study:

### Risk Profile Method Analysis

The NPL (Non Performing Loan) ratio or non-performing loans is an indicator of assessing bank asset quality performance.

**Table 1. Bank Health Based on NPL Ratio**

Bank	Year	NPL	Description
Bank Negara Indonesia (Persero)	2017	4,35%	Healthy
	2018	3,50%	Healthy
	2019	2,79%	Healthy
	2020	2,55%	Healthy
	2021	3,79%	Healthy
Bank Rakyat Indonesia (Persero)	2017	5,60%	Enough
	2018	4,19%	Healthy
	2019	3,50%	Healthy
	2020	3,22%	Healthy
	2021	3,05%	Healthy
Bank Tabungan Negara (Persero)	2017	1,59%	Very healthy
	2018	1,30%	Very healthy
	2019	1,23%	Very healthy
	2020	1,48%	Very healthy
	2021	1,61%	Very healthy
Bank Mandiri (Persero)	2017	4,06%	Healthy
	2018	3,75%	Healthy
	2019	3,60%	Healthy
	2020	3,35%	Healthy
	2021	3,82%	Healthy

Table 1 shows the results of calculating the NPL ratio at the Persero Conventional Commercial Bank which is the sample in this research in the 2017 - 2021 period. The NPL value at Bank Negara Indonesia (Persero) for the 2017 - 2021 period is said to be quite stable, namely at Composite Rank 2 with the statement Healthy . The best NPL value at Bank Negara Indonesia (Persero) was in 2020 at 2.55%, followed by 2019 at 2.79%, followed by 2018 at 3.50%, then in 2021 at 3.79% and in 2017 it was 4.35%.

Loan to Deposit Ratio to assess the liquidity of a bank by dividing the amount of credit provided by the bank against third party funds.

**Table 2.** Bank Health Based on LDR Ratio

Bank	Year	LDR	Description
Bank Negara Indonesia (Persero)	2017	70,37%	Very Healthy
	2018	77,52%	Healthy
	2019	85,30%	Enough
	2020	87,81%	Healthy
	2021	87,77%	Enough
Bank Rakyat Indonesia (Persero)	2017	76,20%	Healthy
	2018	79,85%	Healthy
	2019	88,54%	Enough
	2020	81,68%	Healthy
	2021	86,88%	Enough
Bank Tabungan Negara (Persero)	2017	101,17%	Enough Healthy
	2018	99,51%	Enough
	2019	101,69%	Healthy
	2020	107,04%	Enough Healthy
	2021	107,48%	Enough Health
Bank Mandiri (Persero)	2017	72,05%	Very Health
	2018	78,07%	Health
	2019	83,44%	Health
	2020	82,46%	Health
	2021	87,42%	Enough Health

From table 2 above, you can see the liquidity of a bank by dividing the amount of credit. BNI bank appears to have a relatively healthy ratio because it is above 70%. BRI is quite good, because on average every year it is healthy and quite healthy. State Savings Bank is in the less rested category because it has not been healthy in 5 years.

The LDR value at Bank Mandiri in 2017 was 72.05% at Composite Rank 1 with the description Very Healthy. In 2018, 2019 and 2020 it had a stable LDR, namely at Composite Rank 2 with Healthy information with respective LDR values of 78.07%, 83.44% and 82.46%.

#### Earnings Method Analysis

The ROA (Return On Asset) ratio is used to measure the ability of bank management to obtain overall profits. The greater the ROA of a bank, the greater the level of profit achieved by the bank and the better the bank's position in terms of asset use.

**Table 3.** Bank Health Based on ROA (Return On Assets) Ratio

Bank	Year	ROA	Description
Bank Negara Indonesia (Persero)	2017	2,80%	Very Health
	2018	2,82%	Very Health
	2019	3,19%	Very Health
	2020	3,43%	Very Health
	2021	2,48%	Very Health
Bank Rakyat Indonesia (Persero)	2017	4,38%	Very Health
	2018	4,77%	Very Health
	2019	4,84%	Very Health
	2020	4,45%	Very Health
	2021	3,97%	Very Health
Bank Tabungan Negara (Persero)	2017	1,93%	Very Health
	2018	1,85%	Very Health
	2019	1,76%	Very Health
	2020	1,12%	Enough Health
	2021	1,61%	Very Health
Bank Mandiri (Persero)	2017	3,27%	Very Health
	2018	3,43%	Very Health
	2019	3,58%	Very Health
	2020	3,44%	Very Health
	2021	3,16%	Very Health

Based on the results of the ROA assessment in the table above, it shows that Bank Negara Indonesia (Persero) has a stable ROA value in 2017 - 2021, namely at Composite Rank 1 with the description Very Healthy. In 2017 it had an ROA of 2.80%, in 2018 it was 2.82%, in 2019 it was 3.19%, in 2020 it was 3.43% and in 2021 it was 2.48%.

Financial performance in terms of ROA, Bank Rakyat Indonesia (Persero) in 2017 - 2021 has a stable level of health, namely at Composite Rank 1 with the description Very Healthy. ROA in 2017 was 4.38%, in 2018 it was 4.77%, in 2019 it was 4.84%, in 2020 it was 4.45% and in 2021 it was 3.97%.

The ROA value of State Savings Bank (Persero) in the 2017 - 2019 period has a stable level of health, namely at Composite Rank 1 with the description Very Healthy with respective ROA values of 1.93%, 1.85% and 1.76%. Meanwhile, in 2020, the ROA value at Bank Tabungan Negara (Persero) experienced a decline, namely being at Composite Rank 3 with the statement Fairly Healthy because it had an ROA of 1.12%. In 2021, there was an increase in the ROA value of 1.61% to Composite Rank 1 with the description Very Healthy.

The ROA value at Bank Mandiri (Persero) in 2017 – 2021 has a fairly stable level of health, namely at Composite Rank 1 with the description Very Healthy. The respective ROA values were 3.27% in 2017, 3.43% in 2018, 3.58% in 2019, 3.44% in 2020 and 3.16% in 2021.

#### Capital Method Analysis

The CAR ratio (Capital Adequacy Ratio) is a ratio of the ratio of capital to Risk Weighted Assets (RWA).

**Table 4.** Bank Health Based on CAR Ratio (Capital Adequacy Ratio)

Bank	Year	CAR	Desription
Bank Negara Indonesia (Persero)	2017	17,63%	Very Health
	2018	14,99%	Very Health
	2019	15,09%	Very Health
	2020	16,22%	Very Health
	2021	19,49%	Very Health
Bank Rakyat Indonesia (Persero)	2017	14,96%	Very Health
	2018	16,97%	Very Health
	2019	16,99%	Very Health
	2020	18,31%	Very Health
	2021	20,59%	Very Health
Bank Tabungan Negara (Persero)	2017	15,03%	Very Health
	2018	17,69%	Very Health
	2019	15,62%	Very Health
	2020	14,64%	Very Health
	2021	16,97%	Very Health
Bank Mandiri (Persero)	2017	15,25%	Very Health
	2018	15,48%	Very Health
	2019	16,13%	Very Health
	2020	16,60%	Very Health
	2021	18,60%	Very Health

Figure 4 above shows that the overall financial performance in terms of capital (CAR) at the Persero Conventional Commercial Bank during 2017 - 2021 is very healthy. The best CAR in 2017 was Bank BNI at 17.63%, followed by Bank Mandiri at 15.25%, then Bank BTN at 15.03% and Bank BRI at 14.96%. In 2018, the best CAR was Bank BTN at 17.69%, followed by Bank BRI at 16.97%, then Bank Mandiri at 15.48% and Bank BNI at 14.99%. In 2019, the best CAR was Bank BRI at 16.99%, followed by Bank Mandiri at 16.13%, followed by Bank BTN at 15.62% and Bank BNI at 15.09%. In 2020, the best CAR was Bank BRI at 18.31%, followed by Bank Mandiri at 16.60%, followed by Bank BNI at 16.22% and Bank BTN at 14.64%. In 2021, the best CAR is Bank BRI at 20.59%, followed by Bank BNI at 19.49%, followed by Bank Mandiri at 18.60% and Bank BTN at 16.97%.

## CONCLUSION

Based on the results of data processing and the results of data analysis carried out by researchers on the financial performance of conventional commercial banks registered with Bank Indonesia in the 2017 - 2021 period which is supported by existing references and represented by financial ratios consisting of NPL, LDR, ROA, and CAR, the following research conclusions are obtained:

### 1. NPL (Non Performing Loans)

Bank Health Analysis using the Risk Profile factor for credit risk with the best NPL ratio is Bank Tabungan Negara Indonesia (Persero), because from 2017 to 2021 the NPL of Bank Tabungan Negara (Persero) was below 2% with a Composite Rating of 1 with the description Very Healthy.

### 2. LDR (Loan to Deposit Ratio)

Bank Health Analysis with the Risk Profile factor for liquidity risk with the LDR ratio having the highest risk obtained by the State Savings Bank (Persero), meaning that the bank is less able to fulfill the obligations of depositors who wish to withdraw their funds.

### 3. ROA (Return On Assets)

The results of earnings calculations show that the majority of Persero Conventional Commercial Banks registered with Bank Indonesia obtained an ROA value above 1.25%, and there is an analysis of the ROA ratio with the title of a fairly healthy bank owned by Bank Tabungan Negara (Persero), namely in 2020 it was 1, 12%.

### 4. CAR (Capital Adequacy Ratio)

Bank Health Analysis with the Capital factor measured by the CAR ratio at Persero Conventional Commercial Banks during 2017 - 2021 has a CAR value above 8%. Overall, the bank's CAR ratio is Very Healthy. This shows that BNI, BRI, BTN and Bank Mandiri are able to manage capital very well in accordance with the characteristics, business scale and complexity of the company's business and also have a good level of capital adequacy to fulfill their obligations and can overcome possible risks.

## SUGGESTION

Based on the conclusions of this research, the author provides several suggestions as follows:

1. Risk Profile Conditions for credit risk with the NPL (Non Performing Loan) ratio and liquidity risk with the LDR (Loan to Deposit Ratio) ratio for banks that receive the title of less than healthy and quite healthy, banks should be careful in terms of lending because it is increasingly If the amount of credit granted is not balanced with good credit management, it will potentially give rise to credit risk and liquidity risk which can disrupt the health of the bank, and those that have received the title of healthy or very healthy must be maintained in order to maintain the bank's health level.
2. Profitability (Earnings) conditions as measured by ROA show that Bank Tabungan Negara (Persero) in 2017, 2018, 2019 and 2021 has a healthy predicate and in 2020 it has a fairly healthy predicate, banks must pay attention to the level of cost efficiency and reduce credit and liquidity risks in order to make a profit.
3. The overall condition of the bank's capital, measured by the CAR (Capital Adequacy Ratio), is rated as very healthy, and should continue to be maintained by bank management so that the health of the bank, which is assessed using the Risk Based Bank Rating method, is maintained.
4. This research only analyzes the level of bank health using the Risk Based Bank Rating method with three factors, namely the Risk Profile factor in accordance with Bank Indonesia provisions for eight risks, but in this research it uses credit risk and liquidity risk, earnings factors and Capital factors. It is hoped that further research will describe the health of banks in accordance with SE BI No.13/24/DPNP regarding assessing the level of bank health using the Risk Based Bank Rating method.

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