

Banking health assessment of Indonesia Islamic Commercial Banks using RGEC Method

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Abstract. *This study analyzes the health level of Islamic Commercial Banks (BUS) in Indonesia in 2024 using the RGEC method, which consists of Risk Profile, Good Corporate Governance, Earnings, and Capital. A quantitative descriptive design is applied, using purposive sampling to select 13 BUS based on the availability of published annual financial reports. Secondary data were obtained through documentation and evaluated descriptively according to regulatory standards. The findings show that Islamic Commercial Banks are generally in a healthy condition. The average Non-Performing Financing (NPF) reached 1.1%, far below the 5% threshold, and most Financing to Deposit Ratios (FDR) were within the healthy range of 80–110%. In terms of governance, most banks received a “Good” rating for Good Corporate Governance (GCG). Profitability performance, measured by ROA and ROE, varied widely, with BTPN Syariah achieving the strongest results, while Bank Syariah Bukopin recorded the weakest performance due to negative ROA. All BUS displayed strong capital levels, indicated by Capital Adequacy Ratios (CAR) well above the 8% minimum. Overall, BUS health in 2024 is considered good, although several banks require improvement in profitability and intermediation. These results are useful for regulators, bank management, investors, and the public in making informed decisions.*

Keywords: NPF, FDR, GCG, RGEC

Abstrak. *Penelitian ini menganalisis tingkat kesehatan Bank Umum Syariah (BUS) di Indonesia pada tahun 2024 dengan menggunakan metode RGEC, yang mencakup Risk Profile, Good Corporate Governance, Earnings, dan Capital. Desain penelitian yang digunakan adalah kuantitatif deskriptif, dengan teknik purposive sampling untuk memilih 13 BUS berdasarkan ketersediaan laporan keuangan tahunan yang dipublikasikan. Data sekunder diperoleh melalui teknik dokumentasi dan dianalisis secara deskriptif sesuai standar regulasi. Hasil penelitian menunjukkan bahwa BUS secara umum berada dalam kondisi sehat. Rata-rata Non-Performing Financing (NPF) sebesar 1,1% berada jauh di bawah ambang batas 5%, dan sebagian besar Financing to Deposit Ratio (FDR) berada dalam kisaran sehat 80–110%. Dalam aspek tata kelola, mayoritas bank memperoleh peringkat “Baik” untuk Good Corporate Governance (GCG). Kinerja profitabilitas yang diukur melalui ROA dan ROE bervariasi cukup lebar, dengan BTPN Syariah menunjukkan hasil terbaik, sementara Bank Syariah Bukopin menjadi yang terlemah karena mencatat ROA negatif. Seluruh BUS memiliki tingkat permodalan yang kuat, tercermin dari Capital Adequacy Ratio (CAR) yang berada jauh di atas batas minimum 8%. Secara keseluruhan, tingkat kesehatan BUS tahun 2024 dinilai baik, meskipun beberapa bank perlu meningkatkan profitabilitas dan fungsi intermediasi. Temuan*

ini bermanfaat bagi regulator, manajemen bank, investor, dan masyarakat dalam pengambilan keputusan.

Kata Kunci : *NPF, FDR, GCG, RGEC*

Introduction

The banking sector plays an important role in supporting the modern economy, including in Indonesia. Banks function as intermediary institutions that collect funds from the public in the form of deposits and then channel them back in the form of financing. In addition, banks also play a role in maintaining the stability of the financial system. The level of bank soundness is one of the main indicators that determines the ability of banks to carry out these functions. A sound bank is able to maintain public trust, carry out the intermediation function optimally, and contribute to economic growth. (Rizal, 2024). Conversely, banks that face soundness problems have the potential to create systemic risks that can disrupt national financial stability.

In the context of Islamic banking, the existence of Islamic Commercial Banks (BUS) has strategic significance for Indonesia. As a country with the largest Muslim population in the world, Indonesia has great potential in the development of the Islamic banking industry. The Financial Services Authority (OJK) notes that the market share of Islamic banking shows a growth trend, although it still lags behind conventional banks. BUS are not only expected to provide financial services in accordance with sharia principles that avoid *riba*, *gharar*, and *maysir* but also to serve as a means of more equitable financial distribution through sharia contracts.

However, the Islamic banking industry still faces various challenges, including competition with conventional banks, relatively low levels of Islamic financial literacy, and large capital requirements (Caniago, 2023). Therefore, the assessment of the soundness level of BUS is very important both to support internal management strategies and as a reference for regulators, investors, and the public in maintaining trust in Islamic financial institutions. In practice, the assessment of bank soundness in Indonesia refers to the guidelines of Bank Indonesia and OJK.

One of the methods used is the RGEC (Risk Profile, Good Corporate Governance, Earnings, Capital) approach. This method replaces the previous CAMELS system by emphasizing aspects of risk management and governance (Agus Sunarjanto & Angel, 2025). The four main components of RGEC include: (1) Risk Profile, which assesses non-performing financing (NPF) risk and liquidity risk through the Financing to Deposit Ratio (FDR); (2) Good Corporate Governance (GCG), which evaluates the bank's compliance with governance principles; (3) Earnings, which measures profitability through ROA, ROE, and Net Operating Margin (NOM) ratios; and (4) Capital, which assesses capital adequacy through the Capital Adequacy Ratio (CAR).

The RGEC method provides a more comprehensive picture of bank soundness. This method does not only focus on financial statements, but also evaluates the quality of risk management and governance (Athira et al., 2026). This is highly relevant for Islamic banks, which have different business characteristics compared to conventional banks. For example, profit-sharing-based financing products require more careful risk management. The year 2024 is an important momentum to assess the performance of BUS. After going through the post-COVID-19 pandemic recovery phase, the Islamic banking industry shows a positive trend in increasing assets, third-party fund collection, and financing distribution (Taudlikhul Afkar et al., 2025).

However, this growth is still faced with risks such as increasing NPF, the need for capital strengthening, and demands for efficiency. In addition, the implementation of GCG principles remains a key factor for BUS to enhance competitiveness while maintaining public trust (Cholisoh & Hadziq, 2021). For regulators, the results of bank soundness assessments serve as a basis for supervision and policy determination. OJK uses these assessment results to provide direction, guidance, or corrective actions for banks experiencing difficulties.

From the perspective of bank management, the assessment results can serve as a tool for evaluating business strategies, risk control, and capital strengthening. Meanwhile, for customers, information regarding bank

soundness becomes a basis for consideration in choosing deposit products, investments, or financing (Hariadi & Khusnudin, 2024).

Based on this background, this study aims to analyze the soundness level of Islamic Commercial Banks in Indonesia in 2024 using the RGEC method. The results of this study are expected to provide a comprehensive overview of the current condition of BUS, identify their strengths and weaknesses, and offer recommendations to improve the performance and sustainability of the Islamic banking industry in the future.

Literature Review

Banking Health Assessment Theory

Banking health assessment essentially reflects a bank's ability to perform its intermediation function, maintain public trust, manage risks, generate profits, and sustain capital adequacy on an ongoing basis. In the practice of banking supervision in Indonesia, banking health assessment is not only understood as a short-term financial condition, but also as a reflection of the institutional resilience of banks against various risks arising from business activities as well as changes in the external environment. The Financial Services Authority (OJK) emphasizes that banking health assessment serves as a basis for supervisory authorities to determine supervisory strategies and focus, while also being of interest to owners, management, and users of banking services. This view is consistent with the banking literature that positions banking health assessment as a primary prerequisite for maintaining public trust in the banking system. (OJK, 2014)

In the context of Islamic banks, the concept of banking health assessment has a broader meaning because it is not only related to financial efficiency, but also to compliance with sharia principles, the quality of governance, and the bank's ability to perform its social function. The SEOJK regarding the assessment of the soundness level of Islamic Commercial Banks emphasizes that the assessment must be conducted based on risk orientation, proportionality, materiality, significance, comprehensiveness, and structured

approaches. This implies that Islamic banks are not sufficiently assessed solely based on profit or capital, but also on the quality of risk management, governance, and business sustainability. Thus, the banking health assessment of Islamic banks constitutes a comprehensive reflection of the managerial, operational, and financial conditions of the bank in fulfilling prudential principles and sharia principles simultaneously. (OJK, 2014).

CAMEL Method

The CAMEL method is one of the classical approaches used to assess the level of bank soundness through five main aspects, namely Capital, Asset Quality, Management, Earnings, and Liquidity. In Indonesia, this approach became an important foundation in assessing bank soundness before the development of a risk-based approach. From a regulatory perspective, the system for assessing the soundness of commercial banks through CAMELS factors is stipulated in PBI No. 6/10/PBI/2004 and its technical guidelines in SE BI No. 6/23/DPNP/2004. Meanwhile, for commercial banks based on sharia principles, the bank soundness assessment framework was previously regulated in PBI No. 9/1/PBI/2007 before being refined by the RGEC approach.

In the Capital aspect, CAMEL assesses the adequacy of a bank's capital in absorbing potential losses. The most commonly used ratio is the Capital Adequacy Ratio (CAR). In studies of Islamic banking in Indonesia, CAR is used to demonstrate the bank's ability to provide minimum capital against risk-weighted assets. The higher the CAR, the greater the bank's ability to withstand potential losses, and thus the better its level of soundness. The Islamic banking literature also uses CAR as a key indicator in the capital factor within the CAMEL assessment. (Yushinta et al., 2020).

The second aspect is Asset Quality, which refers to the quality of a bank's earning assets, particularly loans or financing extended. In Islamic banks, the commonly used indicator is Non-Performing Financing (NPF), while in conventional banks Non-Performing Loan (NPL) is used. This ratio indicates the proportion of problematic financing relative to total financing. The higher

the NPF, the lower the quality of the bank's assets, as it reflects a higher risk of uncollectible financing. In studies on Islamic commercial banks in 2020, the asset quality variable in the CAMEL model is represented by net NPF, along with other ratios such as CAR, ROA, NPM, BOPO, and FDR. The Management aspect in CAMEL essentially assesses the ability of bank management to manage operational activities effectively, efficiently, and in accordance with prudential principles. Since this aspect is relatively difficult to measure directly from financial statements, empirical studies in Indonesia often use Net Profit Margin (NPM) or certain efficiency ratios as proxies. In studies on the soundness of Islamic commercial banks during the pandemic, the management component is represented by NPM in the CAMEL calculation. This indicates that, in research practice, the management aspect is often translated into quantitative indicators to make it more operational (Kholid H & Rachmansyah D.W, 2021)

The next aspect is Earnings, which refers to the bank's ability to generate profits. In banking research, the most frequently used indicators are Return on Assets (ROA) and BOPO. ROA indicates the effectiveness of asset utilization in generating profits, while BOPO reflects the bank's operational efficiency (Mustafa, 2020). The final aspect is Liquidity, which refers to the bank's ability to meet its short-term obligations, particularly in fulfilling withdrawals by customers. In Islamic banks, the commonly used indicator is the Financing to Deposit Ratio (FDR), while in conventional banks the Loan to Deposit Ratio (LDR) is used. This ratio shows the extent to which third-party funds are channeled into financing. An excessively high FDR may indicate liquidity pressure, whereas a ratio that is too low may indicate a less optimal intermediation function (Yushinta et al., 2020)

RGEC Method

The RGEC method is a risk-based approach for assessing the level of bank soundness. The Financial Services Authority (OJK) states that POJK Number 8/POJK.03/2014 was issued to enhance the effectiveness of bank soundness assessment in responding to increasing business complexity and

risk profiles, both originating from the bank itself and its subsidiaries. In this approach, the assessment of the soundness level for Islamic Commercial Banks is conducted at least every semester, covering the factors of Risk Profile, Good Corporate Governance, Earnings, and Capital. Thus, RGEC is not merely a set of ratios, but an integrated assessment framework that links risk, governance, profitability, and capital into a single composite conclusion. (OJK, 2014). RGEC becomes a more representative instrument than previous methods as it is able to capture the bank's condition more accurately and places greater emphasis on the dimensions of risk and the quality of bank management, rather than solely on financial outcomes. (Amelia & Aprilianti, 2019)

The first component in RGEC is Risk Profile. The assessment of the risk profile factor involves evaluating inherent risks and the quality of risk management implementation in the bank's operational activities. For Islamic Commercial Banks, the risks that must be assessed consist of ten types of risk, namely credit risk, market risk, liquidity risk, operational risk, legal risk, strategic risk, compliance risk, reputational risk, rate of return risk, and investment risk. In Islamic banking operations, two risks that are often the primary focus of research are credit/financing risk and liquidity risk. These risks are generally measured through the quality of earning assets, particularly the ratio of non-performing financing such as Non-Performing Financing (NPF) (OJK, 2014). Non-Performing Financing (NPF) represents a condition where borrowers fail to comply with agreed payment terms, thereby posing a risk of loss to the bank. (Koyyimah & Amarulloh, 2025)

The second component is Good Corporate Governance (GCG). Within the RGEC framework, GCG reflects the quality of bank governance, including the effectiveness of the functions of the board of directors, board of commissioners, committees, compliance, internal audit, internal control, and reporting transparency. The SEOJK states that the assessment of the GCG factor includes at least the GCG rating, rating definitions, identification of weaknesses and root causes, and the strengths of GCG implementation.

The third component is Earnings or profitability. According to the SEOJK, the assessment of the earnings factor includes evaluation of profitability performance, sources of profitability, sustainability of profitability, profitability management, and the implementation of social functions. The assessment is conducted by considering the level, trend, structure, and stability of the bank's profitability, as well as comparisons with peer groups. Thus, earnings are not only understood as temporary profits, but as the bank's ability to generate sustainable and sound returns. In Islamic banking research, the earnings factor is generally proxied by ratios such as Return on Assets (ROA), Return on Equity (ROE), and BOPO.

The fourth component is Capital. OJK states that the assessment of the capital factor includes evaluation of capital adequacy and the adequacy of capital management. In empirical practice, this factor is generally measured using the Capital Adequacy Ratio (CAR) to determine the extent to which bank capital can absorb potential losses arising from the risks faced. Strong capital indicates the bank's ability to maintain operational stability, comply with regulatory requirements, and remain prudently expansionary. (OJK, 2014)

Previous studies on bank soundness conducted by HS & Pristiani (2021) on two Islamic commercial banks, namely PT Bank Syariah Mandiri and PT BNI Syariah, used the CAMEL method and found that the aspects of Capital, Asset, and Earnings were in the healthy category, while the Management and Liquidity aspects were in a fairly healthy condition. Another study by Arief (2022) also used CAMEL and found that Islamic commercial banks had met the soundness assessment standards. Research by Taufiq & Rofiqo (2022) on seven Islamic commercial banks showed that three banks (Bank Syariah Mandiri, Bank BNI Syariah, and Bank BTPN Syariah) were categorized as healthy, one bank (Bank BJB Syariah) was fairly healthy, two banks (Bank Bukopin Syariah and Panin Dubai Syariah) were less healthy, and one bank (Bank BRI Syariah) was unhealthy.

Research conducted by Cahyani Wulandari & Nurfaahmiyati (2023) indicated that the soundness level of Bank Syariah Indonesia for the period

2019 to 2022 was in the healthy category, while Bank Muamalat Indonesia for the same period was categorized as fairly healthy. Furthermore, research by (Rifka et al., 2023) on CAMEL analysis of BSI showed healthy to very healthy financial performance, with ROA and BOPO categorized as very healthy, ROE as healthy, FDR increasing but approaching the optimal threshold thus requiring caution, and CAR remaining stable above 20%, indicating strong capital. Additionally, research by (Patmin, 2020) on the health analysis of BCA Syariah using CAMEL ratios found that the bank was in a healthy condition during the period 2013–2017.

These research findings indicate that several Islamic Commercial Banks in Indonesia fall within the healthy to fairly healthy categories, while others remain in less healthy or unhealthy conditions. However, these studies still use the CAMEL method rather than the more recent RGEC method. Currently, the RGEC method is more relevant as it not only aligns with the latest regulatory provisions, but also adopts a risk-based approach and evaluates banks not only from a financial perspective, but also in terms of the implementation of good, transparent, and accountable governance. (Puspitasari & Dinuka, 2023)

This aspect is highly important in maintaining public trust and the integrity of the banking sector. Therefore, RGEC not only replaces CAMEL from a regulatory standpoint, but also introduces improvements in banking supervision, enabling better adaptation to increasingly complex and dynamic risks. Accordingly, this study emphasizes the assessment of bank soundness using the RGEC method to provide a deeper understanding of its effectiveness and to evaluate the extent to which this method reflects the actual condition of the banking sector amid the current dynamics of the financial industry

Method

This study employs a quantitative research design with a descriptive approach. The quantitative approach is used because the analysis relies on numerical data, particularly financial ratios. Meanwhile, the descriptive approach is chosen to describe the actual condition of Islamic Commercial

Banks (BUS) without testing causal relationships. Thus, this study focuses on the assessment and interpretation of the soundness level of Islamic banks based on regulatory standards.

The research population includes all Islamic Commercial Banks operating in Indonesia as of the end of 2024. Based on data from the Financial Services Authority (OJK), there are 13 BUS that meet the population criteria. The sampling technique used is purposive sampling with the following criteria: (1) BUS that publish their annual financial statements for 2024, and (2) these reports are publicly accessible through the official websites of the banks or OJK publications. These criteria ensure that the sample covers most BUS, so that the research results can represent the condition of the industry at the national level. The data used are secondary data in the form of annual financial statements for 2024. The data are obtained from the official websites of each bank. Data collection is carried out using the documentation method, namely collecting financial statements and annual reports of BUS. Data analysis is conducted using descriptive analysis to assess the condition of bank soundness using the RGEC method.

Results and Discussion

Islamic Commercial Bank's Health Assessment Result

Based on the 2024 annual reports, the results of data collection on the RGEC components (Risk Profile, Good Corporate Governance, Earnings, and Capital) can be seen in Table 1.

Table 1. Islamic Commercial Bank's Health Assessment using RGEC Method (2024)

Assessment Components		Risk		GCG	Earning		Capital
No	Bank	NPF (%)	FDR (%)	GCG	ROA (%)	ROE (%)	CAR (%)
1	PT Bank Aceh Syariah	0,53	77,83	2	2,01	13	21,89
2	PT. BPD Riau Kepri Syariah	0,39	88,86	2	1,43	10,42	21,18
3	PT. BPD NTB Syariah	0,21	90,22	2	1,85	12,58	25,14

4	PT. Bank Muamalat Indonesia	2,74	40,08	3	0,03	0,42	28,48
5	PT. Bank Victoria Syariah	1,34	104,18	2,55	0,82	1,90	26,68
6	PT. Bank Jabar Banten Syariah	1,86	93,65	2	0,57	4,56	18,70
7	PT. Bank Syariah Indonesia, Tbk	0,50	84,97	2	2,49	17,77	21,40
8	PT. Bank Mega Syariah	0,80	77,89	2	2,04	9,81	28,80
9	PT. Bank Panin Dubai Syariah, Tbk	2,34	95,36	2	0,65	3,65	21,94
10	PT. Bank Syariah Bukopin	4,38	103,26	2	-7,55	-154,60	16,38
11	PT. BCA Syariah	0,33	81,3	1	1,6	5,9	29,6
12	PT. Bank Tabungan Pensiunan Nasional Syariah	0,03	86,76	2	6,33	12,63	53,16
13	PT. Bank Aladin Syariah, Tbk	0,03	87,72	2	-0,9	-2,43	64,96
14	PT. Bank Nano Syariah	0,02	41,84	2	2,11	15,53	45,58
	Mean	1,11	82,42	2,04	0,96	-3,49	30,28

Source: Islamic Commercial Banks Annual Reports (processed data)

Based on various regulations and literature, such as SEOJK No. 13/SEOJK.03/2017, (Kurnia et al., 2024) and (Maybank, 2025) the criteria for each of these indicator components are as follows.

Table 2. Criteria Indicators RGEC Assesment

NPF	FDR	GCG	ROA	ROE	CAR
< 5%	80% -	1 = Excellent	>1.5% = Very	<10% = Low	≥8% = Rank 1
= Good	110%	2 = Good	Healthy	10-20% =	(Low Risk)
	=	3 = Fair	1.25 - 1.4 =	Fair	≥9% to <10% =
	Good	4 = Poor	Healthy	>20% = Very	Rank 2
		5 = Bad	0.5 - 1.24 =	Good	≥10% to <11% =
			Moderately		Rank 3
			Healthy		≥11% to 14% =
			0.1 - 0.4 =		Rank 4 or 5 (High
			Less Healthy		Risk)
			< 0 = Unhealthy		

Risk Profile

Risk profile represents the assessment of the level of inherent risk in a bank's business activities as well as the bank's ability to manage such risks. The first indicator of the risk profile is the Non-Performing Financing (NPF) ratio. NPF is a ratio that measures financing risk. Every credit or financing activity has the potential risk of default. This risk can cause losses for the bank and has the potential to reduce company profits if not properly managed. Financing risk arises when the bank fails to recover funds disbursed in the form of financing. One of the ratios used to assess the bank's ability to manage and recover such financing is the Non-Performing Financing (NPF) ratio. (Koyyimah et al., 2023)

Based on Table 1, all Islamic commercial banks show good NPF performance because their ratios are below the 5% threshold. The average NPF shown in Table 1 is 1.1%, indicating that, in general, the financing condition of Islamic commercial banks in 2024 is in a healthy condition. However, several banks recorded relatively higher NPF values compared to others. PT Bank Syariah Bukopin Tbk, with an NPF of 4.38%, is close to the threshold and therefore requires serious attention from management to prevent potential deterioration in financing quality. PT Bank Muamalat Indonesia recorded an NPF of 2.74%. Although this figure is still considered safe, it is relatively high compared to the average of other Islamic banks and thus requires stricter risk control efforts. PT Panin Dubai Syariah reported an NPF of 2.34%, which remains in the healthy category but still needs to be carefully maintained to avoid future increases.

Conversely, the three banks with the lowest NPF ratios are PT Bank Nano Syariah at 0.02%, PT Bank Aladin Syariah at 0.03%, and PT BTPN Syariah at 0.03%. These near-zero NPF values reflect highly effective risk management and excellent financing portfolio quality, making these banks ideal benchmarks for other Islamic commercial banks. Islamic banks with relatively high NPF levels are recommended to tighten financing feasibility analysis through more accurate credit scoring systems and to diversify their financing portfolios to

reduce risk concentration. Meanwhile, banks with low NPF ratios can serve as examples for others by sharing best practices in digital implementation, which have proven effective in minimizing problematic financing. In addition, the Financial Services Authority (OJK), together with Islamic banks, needs to enhance early warning systems so that potential financing problems can be detected earlier and mitigation actions can be taken promptly. Furthermore, improving customer financial literacy is also an important factor in supporting financing quality, particularly in building awareness and discipline in fulfilling payment obligations.

The second indicator of the risk profile is the Financing to Deposit Ratio (FDR). FDR is used to measure the amount of financing distributed relative to the funds collected from the public. The higher the ratio, the higher the level of liquidity utilization. According to Bank Indonesia, the ideal FDR standard ranges from 85% to 110% (Ismanto & Laksono, 2020). Based on Table 1, the average FDR is 82.42%, which falls within the healthy range of 80% to 110%. This condition indicates that, in general, the intermediation function of Islamic banking in 2024 is functioning fairly well, as third-party funds have been optimally distributed into financing.

However, some banks recorded FDR ratios far below the standard. PT Bank Muamalat Indonesia, with an FDR of 40.08%, and PT Bank Nano Syariah, with 41.84%, are examples of banks that have not been able to optimally channel collected funds into financing. These low figures may indicate constraints in financing distribution or underdeveloped business strategies. On the other hand, some banks have very high FDR ratios approaching the upper limit, such as PT Bank Victoria Syariah at 104.18% and PT Bank Syariah Bukopin at 103.26%. Although both remain in the healthy category, such aggressive financing positions must be approached with caution. High FDR levels may lead to liquidity risk if there is an imbalance between fund collection and financing distribution.

There are also banks with FDR slightly below the healthy standard, such as PT Bank Aceh Syariah at 77.83% and PT Bank Mega Syariah at 77.89%. This

condition indicates that financing distribution is still relatively low compared to the potential of available third-party funds, so the intermediation function in these banks needs to be further optimized. For banks with very low FDR, such as PT Bank Muamalat Indonesia and PT Bank Nano Syariah, strategies to increase financing distribution should include developing more varied products, expanding into broader market segments, and strengthening collaboration with the halal industry ecosystem to attract more productive financing. Additionally, the implementation of digital technology, such as digital lending platforms, can help expand financing access while accelerating customer feasibility assessment processes.

Meanwhile, for banks with very high FDR approaching the upper limit, such as PT Bank Victoria Syariah and PT Bank Syariah Bukopin, the main strategy should focus on strengthening liquidity management. This can be achieved by increasing a stable third-party funding base, strengthening liquidity reserves, and implementing strict risk controls to avoid imbalances between fund collection and financing distribution. Diversification of funding sources, including through Islamic capital market instruments, can also serve as an alternative to maintain healthy liquidity levels.

For banks with FDR slightly below the healthy standard, such as PT Bank Aceh Syariah and PT Bank Mega Syariah, optimizing the intermediation function should be carried out through improving financing distribution efficiency. These banks can re-evaluate their business strategies to focus more on potential sectors with strong financing demand. In addition, efforts to improve public financial literacy and programs that promote financial inclusion can support the expansion of the financing customer base.

In conclusion, each bank needs to adjust its FDR management strategy according to its profile and financial condition. A combination of strengthened risk management, product innovation, digital service transformation, and market development is key to maintaining balance between fund collection and financing distribution in the Islamic banking industry.

Good Corporate Governance

Based on the Financial Services Authority Regulation (POJK) Number 17 of 2023, the implementation of Good Corporate Governance (GCG) in banks must be reflected in the execution of duties, responsibilities, and authorities of the Board of Directors; the Board of Commissioners; the completeness and functioning of committees; handling of conflicts of interest; compliance functions; internal audit functions; external audit functions; risk management implementation, including internal control systems; remuneration provisions; provision of funds to related parties and large exposures; integrity of reporting and information technology systems; bank strategic planning; shareholder-related aspects; implementation of anti-fraud and anti-bribery strategies; implementation of sustainable finance including corporate social and environmental responsibility; and governance within banking groups.

Banks are required to conduct self-assessment of their soundness level using a risk-based approach, known as Risk-Based Bank Rating (RBBR), both individually and on a consolidated basis. This assessment must be conducted at least every semester, for positions at the end of June and December, in accordance with OJK regulations on bank soundness assessment. One of the assessed factors is governance. In line with this, banks are also required to conduct self-assessment of governance implementation according to the assessment period as regulated in SEOJK No. 13/SEOJK.03/2017.

Based on Table 1, the average GCG score is 2, indicating that the average governance rating of Islamic commercial banks in 2024 falls within the “Good” category. This shows that, in general, the implementation of governance principles complies with applicable regulations and is sufficiently effective in supporting bank operations. However, there is still room for improvement to make governance practices more transparent, accountable, and sustainable.

Among all banks, PT BCA Syariah achieved the best score with a rating of 1, reflecting a “Very Good” category. This achievement indicates that BCA Syariah has successfully implemented GCG principles optimally, making it a benchmark for other Islamic banks. Conversely, PT Bank Muamalat Indonesia obtained a score of 3, categorized as “Fairly Good,” indicating that its

governance still faces challenges and requires more serious improvements, particularly in internal supervision, regulatory compliance, and risk management effectiveness.

In addition, PT Bank Victoria Syariah recorded a score of 2.55, which, although still in the “Good” category, is close to the threshold of “Fairly Good.” This indicates the presence of weaknesses that need to be addressed promptly to prevent deterioration in governance quality in the future. Continuous evaluation and strategic improvements are expected to strengthen integrity and enhance public trust.

Earnings

Earnings in the RGEC method reflect a bank’s ability to generate stable and sustainable profits from its operational activities. Earnings are an important indicator because consistent profitability shows that the bank can operate efficiently, cover costs, provide returns to shareholders, and maintain business continuity. The first indicator of earnings is Return on Assets (ROA). Table 1 shows that the average ROA of Islamic commercial banks is 0.96, indicating that most banks fall into the “fairly healthy” category. The highest ROA was achieved by Bank BTPN Syariah at 6.33%, reflecting effective asset management and significant profitability. On the other hand, several banks remain in the fairly healthy category, such as Bank Victoria Syariah and Bank Jabar Banten Syariah. Meanwhile, Bank Muamalat Indonesia recorded an ROA of only 0.03%, categorized as “less healthy,” indicating challenges in improving operational efficiency and profitability.

A bank requiring special attention is Bank Syariah Bukopin, which recorded a negative ROA of -7.55%, placing it in the “unhealthy” category. The second indicator is Return on Equity (ROE). According to Table 1, most Islamic commercial banks fall into the “low” category for ROE, with an average of -3.49%. Several banks reported low ROE, including PT Bank Muamalat Indonesia (0.42%), PT Bank Victoria Syariah (1.9%), and PT Bank Jabar Banten Syariah (4.56%). Some banks achieved a “moderate” category, including PT BPD Riau Kepri Syariah (10.42%), PT BPD NTB Syariah (12.58%), PT BCA

Syariah (12.63%), PT Bank BTPN Syariah (12.63%), and PT Bank Nano Syariah (15.53%). PT Bank Syariah Indonesia recorded the highest ROE at 17.77%, indicating strong profitability performance. However, PT Bank Syariah Bukopin recorded a negative ROE of -154.6%, indicating severe financial distress.

Capital

Capital in the RGEN method refers to the bank's capital as the primary buffer to absorb risks during operational activities. Adequate capital is essential to maintain stability and business continuity. Based on Table 1, all Islamic commercial banks have a Capital Adequacy Ratio (CAR) above 8%, with an average of 30.28%. Therefore, it can be concluded that the capital position of the Islamic banking industry is very strong and healthy, with relatively low risk. Most banks fall within the 16%–30% range, while several banks recorded very high CAR values, such as PT Bank BTPN Syariah (53.16%), PT Bank Aladin Syariah (64.96%), and PT Bank Nano Syariah (45.58%). Although this indicates strong capital, excessively high CAR may reflect suboptimal financing distribution. Importantly, no Islamic commercial bank falls into lower rating categories, indicating no bank is close to the regulatory minimum threshold.

To optimize the intermediation function, banks require different strategies. Banks with CAR in the 16%–30% range should maintain capital consistency while optimizing financing distribution. Meanwhile, banks with very high CAR need to balance capital and financing distribution by expanding portfolios into productive sectors. Overall, the Islamic banking industry shows strong capital resilience, but long-term strategies should focus on optimizing intermediation, financing diversification, and product innovation to ensure sustainable performance.

Conclusion

Based on the results of the analysis using the RGEN method (Risk Profile, Good Corporate Governance, Earnings, and Capital), Islamic

Commercial Banks in Indonesia in 2024 were generally in a healthy condition. From the Risk Profile aspect, the average Non-Performing Financing (NPF) ratio of 1.1% remained well below the maximum threshold of 5%, indicating good financing quality, while most banks maintained Financing to Deposit Ratio (FDR) levels within the healthy range of 80%–110%, reflecting an effective intermediation function, although several banks still exhibited NPF and FDR levels requiring attention. From the Good Corporate Governance (GCG) aspect, the majority of banks obtained a rating of 2 (Good category), indicating that governance practices were generally implemented in accordance with GCG principles. From the Earnings aspect, ROA and ROE performance varied considerably, with BTPN Syariah recording the highest ROA and BSI achieving the highest ROE, whereas Bank Syariah Bukopin reported negative ROA and ROE and Bank Muamalat Indonesia continued to exhibit very low profitability. From the Capital aspect, all Islamic Commercial Banks recorded Capital Adequacy Ratio (CAR) levels above the minimum regulatory requirement of 8%, demonstrating strong capital positions to absorb potential risks. Overall, the soundness level of Islamic Commercial Banks in Indonesia in 2024 can be classified as healthy; however, several banks still require attention regarding profitability, intermediation performance, and governance practices to support the stability and sustainable growth of the Islamic banking industry.

This study contributes theoretically to the development of Islamic banking soundness assessment literature through the application of the RGEC method (Risk Profile, Good Corporate Governance, Earnings, and Capital) as a comprehensive framework for evaluating the soundness level of Islamic Commercial Banks in Indonesia. The findings indicate that risk, governance, profitability, and capital aspects are interrelated and play significant roles in determining bank soundness, while also providing recent empirical evidence on the condition of Islamic Commercial Banks in Indonesia in 2024.

The managerial implication of this study is that the management of Islamic Commercial Banks should prioritize strengthening financing risk management, optimizing the intermediation function, improving corporate

governance quality, and enhancing profitability performance to maintain bank soundness. These efforts are essential to support sustainable financial performance, effective risk mitigation, and the overall stability of Islamic banking institutions.

This study has several limitations, including the use of data only from the 2024 period, which limits its ability to capture the longitudinal development of bank soundness. In addition, the assessment focuses solely on indicators included in the RGEC method without considering external factors that may influence banking performance. Furthermore, the study is limited to Islamic Commercial Banks, and therefore the findings cannot be generalized to the entire Islamic banking industry.

Future studies are recommended to employ a longer observation period in order to analyze trends in bank soundness more comprehensively. In addition, future research may incorporate external variables such as inflation, interest rates, economic growth, exchange rates, and regulatory factors, as well as expand the research scope to include Islamic Business Units (UUS) and Islamic Rural Banks (BPRS). Moreover, the application of more advanced analytical methods may generate more comprehensive and accurate findings.

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