Economica: Jurnal Ekonomi Islam – Volume 12, No. 2 (2021): 313 - 334
ISSN: 2085-9325 (print); 2541-4666 (online)
DOI: https://doi.org/10.21580/economica.2021.12.2.9371

REC Method in Comparison of Soundness Level of Islamic Bank in Indonesia and Malaysia

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Abstract: This study analyzed the health of Islamic banking in Indonesia and Malaysia by using the REC approach. Through the quantitative descriptive method, this study collected data from official websites such as Bank Indonesia, the Financial Service Authority, and Bank Negara Malaysia. To determine the sample, purposive sampling with convenience sampling was done on 12 Islamic Commercial Banks in Indonesia and Malaysia. The risk profile is represented by the FDR ratio. It indicates significant differences in the soundness level of Islamic banks in Indonesia and Malaysia. Earning approach is represented by the ROA suggesting no significant difference in the soundness level of Islamic banking in Indonesia and Malaysia. For the capital approach represented by the CAR ratio, the results show that there is no significant difference in the soundness of Islamic banking in Indonesia and Malaysia. Simultaneously, the REC approach proves that there is no significant difference in the soundness of Islamic banking in Indonesia and Malaysia.

Keywords: Capital; Earning; Islamic Banking; Risk Profiles; REC

Abstrak: Penelitian ini menganalisis kesehatan perbankan syariah di Indonesia dan Malaysia dengan menggunakan pendekatan REC. Melalui metode deskriptif

kuantitatif, penelitian ini mengumpulkan data dari situs resmi seperti Bank Indonesia, Otoritas Jasa Keuangan, dan Bank Negara Malaysia. Untuk menentukan sampel, purposive sampling dengan convenience sampling dilakukan terhadap 12 Bank Umum Syariah di Indonesia dan Malaysia. Profil risiko diwakili oleh rasio FDR. Hasil penelitian menunjukkan adanya perbedaan yang signifikan pada tingkat kesehatan bank syariah di Indonesia dan Malaysia. Pendekatan rentabilitas yang diwakili oleh ROA menunjukkan tidak adanya perbedaan yang signifikan dalam tingkat kesehatan perbankan syariah di Indonesia dan Malaysia. Untuk pendekatan permodalan yang diwakili oleh rasio CAR, hasil penelitian menunjukkan bahwa tidak ada perbedaan yang signifikan dalam tingkat kesehatan perbankan syariah di Indonesia dan Malaysia. Secara simultan, pendekatan REC membuktikan bahwa tidak terdapat perbedaan yang signifikan pada tingkat kesehatan perbankan syariah di Indonesia dan Malaysia.

Kata Kunci: Permodalan; Pendapatan; Perbankan Syariah; Profil Risiko; REC

Introduction

Indonesia and Malaysia rank within the top ten of the 131 countries as the most developing and growing countries in ASEAN's Islamic financial market as indicated by the Islamic Finance Development Report 2018 from Thomson Reuters. According to the report, Malaysia is the fastest-growing country in the Islamic financial sector, while Indonesia is ranked 10th (Newman et al., 2018). Islamic Finance Development Report 2018 reports that Malaysia has become the most rapidly developing country in terms of the Islamic financial industry because it is supported by a high market share that achieves 24.9% per year, while Indonesia only achieves 5.4%. However, when it is investigated the growth of Asian banking assets (CGAR or Compound Annual Growth Rate) from the data of Business Monitor International 2010-2016, Indonesia placed in the 5th rank in Asia with a 7% growth amount while Malaysia only placed in the 10th rank with 5% as the banking asset growth amount (State of the Global Islamic Economy Report, 2019).

A minimum capital level for Islamic commercial banks is typically around 20%, which is still sufficient for the sustainability of the Islamic banking business in the industry for the time being. The market share of Indonesian Islamic banking has been around 5 to 6% of total banking assets over the past five years, with asset growth in the last two years growing in the range of 10 to 13%. The portion of the financing to assets increased in the fourth quarter of 2019 to about 67.9% from the same period in the previous year, which was about 67.2%, or experiencing an increase of about 0.7%, reflecting the relatively positive development of national Islamic banking financing as the implementation of the financial intermediary function. Growth in Islamic banking financing was in the range of 11% in the fourth quarter of 2019 (YoY). Indonesia's Islamic banking market share currently ranks 8th globally out of around USD 1.57 trillion in total Islamic banking assets, the same as Bangladesh, or a slight increase over the previous year when Indonesia's share

was 1.8%. Iran (32.1%), Saudi Arabia (20.2%), Malaysia (10.8%), Kuwait (6.3%), Qatar (6.2%), and Turkey (2, 6%) surpassed Indonesia in market share. While Bahrain (0.7%) and Pakistan (1.3%) are among the countries below Indonesia (The Islamic Financial Services Industry (IFSI) Stability Report 2019, 2019).

The Islamic banking industry needs to be more competitive and stand out to draw in investors and the general public to achieve exceptional and good financial performance. Consequently, they are keen to invest in the company. As a result, an examination of the soundness of Islamic banking must be done, notably in Indonesia and Malaysia because they have a majority of Muslims and the largest amount of funds for Islamic banking and finance, respectively. In conclusion, the issues can be resolved, and the approach can be altered to meet the standards for banking soundness (Putri & Handayani, 2016).

The previous studies indicate that the RGEC approach is still not frequently employed for banking assessment in Indonesia and Malaysia. The researchers generally used the CAMELS approach as the assessment tool. While RGEC adds operational risk, different CAMELS simply employ credit and market risk. While there is no asset valuation in the RGEC assessment, the asset valuation in CAMELS serves as a measure of the NPL, RORA, and PPAP ratios. In the meanwhile, the risk profile takes the NPL ratio into account. Management assessment in CAMELS uses Good Corporate Government indicators and the NPM ratio, while in the RGEC method there is no management assessment. However, the indicators of Good Corporate Governance in the RGEC are included in a separate assessment in calculating bank health. Earning assessment in CAMELS uses ROA and BOPO ratio indicators, while the RGEC method no longer uses BOPO ratios based on the NIM ratio. Liquidity in CAMELS uses LDR and Call Money ratio indicators, while in the RGEC approach, there is no liquidity assessment. However, the risk profile is evaluated using the LDR ratio. While the RGEC approach does not include a sensitivity assessment, the CAMELS method's sensitivity to

market risk assessment does so using the IRR and MR ratio indicators. However, the IRR ratio indicator is used to assess the risk profile Therefore the researcher is interested in researching this title (State of the Global Islamic Economy Report, 2019).

Literature review

Islamic Bank refers to a bank operated based on Islamic law, where the operational and the product are based on al-Qur'an and Hadist (Amir & Rukmana, 2010). This is based on the Islamic banking Act 1983 which reads:

> *"…. a company which carries on Islamic banking business. Islamic banking business means banking business who aims and operations do not involve any element which is not approved by the religion of Islam …"*
>
> *"…Islamic banking system refers to a system of banking or banking activity that is consistent with the principles of Islamic law (sharia) and it is governed by the law of god" (Aziz, 2013).*

Islamic banking pursues a profit in operational and there is a social community value and spiritual to be achieved. The Islamic bank system is not much different from a conventional bank in general—the difference between banks is only in the operational principle used. Islamic bank operations are based on profit and loss sharing in the figure of partnership, not the relationship between debtor and creditor (Iska, 2014). Islamic banking prohibits transactions that are forbidden in Islam. One of the prohibited transactions in Islam is a transaction that contains usury (*riba*) as Q.S. Al-Imran: 130:

> "You are the best community that had been rised up for mankind. You enjoin right conduct and forbid indecency; and you believe in Allah ……"Q.S AL-Imran: 110 (Kementerian Agama, 2020).

The definition of bank soundness is the ability of a bank institution to operate the bank normally. It can complete every obligation in the prevailing bank regulations. The legislation and regulations in Indonesia stipulate that bank soundness must satisfy certain criteria, including the capital, asset

quality, liquidity, earnings, value ability, solvability, and management quality (Santoso, 2014). There are many reasons used as references for conducting an assessment of bank soundness such as anticipating bankruptcy in bank institutions; attracting investor interest; keeping social health; and evaluating the condition and problems encountered (Riadi et al., 2016). According to the bank soundness book by International Monetary Fund:

> *"…… Banking system soundness reflects the health of the economy in large measure. However, in a weakening economy, there may be few new bankable projects…"*

The International Monetary Funds explained:

> *"…. a sound banking system contributes to economic growth by mobilizing financial resources and by channeling them to activities with the highest expected rates of return for a given level of risk. The banking system also provides transaction services and payment systems, which increase the efficiency of economic activities. In addition, banks provide expertise in project screening and corporate governance, which aids in the efficient use of resources…" (State of the Global Islamic Economy Report, 2019).*

The general principle of bank soundness in Indonesia is divided into four categories. First, Risk Oriented bank soundness assessment should be conducted based on consideration. By analyzing internal and external factors that influenced or potentially affected the bank's financial performance, one can analyze the soundness level of the bank. Secondly, proportionality refers to an assessment of every indicator in bank soundness assessment needs to be a concern with particular characteristics and complexity of each bank business. The third is materiality and Significant. it deals with risk profile factors, good corporate governance, rentability, and financial assets. Lastly, the comprehensive and structured. The provision in Surat Edaran of Bank Indonesia has been adapted to the bank soundness level No.6/23/DPNPas follows (Indonesia, 2016):

Table 1. Bank Soundness Level according to RGEC

The Rank of Health Level	Predicate of Composite	Information	The Checklist Number on the Weight Value
Very Healthy	1 (PK-1)	Banks are considered to face significant negative effects from changes in business and other external factors. However, even if there is weakness, they are typically not critical.	5
Health	2 (PK-2)	Banks are considered capable of dealing with significant negative effects from changes in business and other external factors. However, if there are weaknesses, these weaknesses are generally less significant.	4
Quite Healthy	3 (PK-3)	Banks are considered to deal with significant negative effects from changes in business and other external factors. Therefore, if there are weaknesses, the weaknesses are generally significant.	3
Unwell	4 (PK-4)	Banks are considered less able to deal with significant negative effects from changes in business and other external factors. Therefore, if there are weaknesses in general, these weaknesses are significant.	2
Not Healthy	5 (PK-5)	Banks are considered unable to deal with significant negative effects from changes in business and other external factors. However, if there are weaknesses in general, these weaknesses are significant.	1

Source: Circular of Bank Indonesia No.6/23/DPNP (Wulandari, 2018).

In Malaysia, the regulation of banking in Malaysia is government-driven and is managed centrally as a form of supervision, according to the general principle of bank soundness. The governance regulation in Malaysia is managed by Shariah Advisor Council (SAC), while Bank Negara Malaysia manages financial institutions as the central bank in Malaysia. Malaysian banks used the rank system of CAMELS from the United States as a surveillance effort and evaluation of the safety and health of each bank. The ratings given to each component will be combined to get a single rating to determine the overall performance of the banks investigated, where banks

ranked 1-2 are considered vital, while those ranked 3-5 are considered weak (Rozzani & Rahman, 2013).

The General Principle of the International Soundness level bank, the International Monetary Fund (IMF) described the measurement of health level bias conducted through 3 approaches (Fund, 1996).

The first is the bottom-up approach. This approach is a systematic way to estimate bankruptcy opportunities at individual banks based on the balance sheet model. First, the data from the balance sheet are viewed based on bank assets. If the owned assets are estimated to be able to grow bankruptcy, it needs to be evaluated in a period to reduce the more significant risk—secondly, the aggregative approach. Since obtaining bank data per bank is difficult, predicting bank bankruptcy opportunities can be done using state aggregate data published at the central banks of each country. In this approach, the model used is similar to the characteristics of individual banks, namely cross-section of the financial system, because time-series data for one country may not be enough to assess the soundness level bank. However, this approach also has a significant weakness because it does not explicitly describe the existing data to produce valid conclusions. And the third is the macro-economy approach. Generally, macroeconomic indicators can be grouped, including GDP and sectoral growth rates, industry activity indexes, and economic balance indicators such as capital accounts, current accounts, and fiscal balances. For example, if an economy or specific important sectors are in a prolonged recession, there are concerns about the banking system's health; indicators of macroeconomic conditions will be relevant in this case. Indicators of financial fragility will include data on money and credit, interest rates, asset price indexes, consumer loans, corporate debt, and bankruptcy rates (Rozzani & Rahman, 2013).

The bank soundness variable is divided into three variables. The first one is CAMEL, which was the first method published in 1991. The research variable used in this method is capital, asset quality, earnings, management,

and liquidity. Second, was the developed method of CAMEL, with an additional variable of Sensitivity to Market Risk. This Method was first introduced on 1 January 1997 and used in Indonesia in 1997. Third, RGEC is the last method developed from the bank soundness after the enactment of Indonesian bank regulation in January 2012 No. 13/*PBI*/2012 and Circular *SE* No. 13/24/*DPDN* replaced the old way, CAMELS, where the constituent of RGEC including risk profile, good corporate governance, earnings, and capital. Furthermore, the result from the RGEC assessment was weighted based on provision and appointed in several predicates (i.e., very healthy, healthy, relatively healthy, unwell, and not healthy) (Riadi et al., 2016).

The difference is that the CAR calculation in CAMELS only uses credit and market risk, while in RGEC it is added with operational risk. The ASSET assessment in CAMELS is an indicator of the NPL, RORA, and PPAP ratio while in the RGEC assessment there is no asset valuation. Meanwhile, the NPL ratio is included in the risk profile. Management assessment in CAMELS uses good corporate government indicators and the NPM ratio, while in the RGEC method there is no management assessment. However, the indicators of good corporate government in the RGEC are included in a separate assessment in calculating bank health. Earning assessment in CAMELS uses ROA and BOPO ratio indicators, while the RGEC method no longer uses BOPO ratios based on the NIM ratio. Liquidity in CAMELS uses LDR and Call Money ratio indicators, while in the RGEC method there is no liquidity assessment. But for the LDR ratio is used to assess the risk profile. Sensitivity to Market Risk Assessment in CAMELS uses the IRR and MR ratio indicators, while in the RGEC method there is no sensitivity assessment. However, the IRR ratio indicator is used to assess the risk profile (Riadi et al., 2016).

Table 2. Assessment Rating of Soundness Level Bank used RGEC

Result	Predict
86-100	Very Healthy
71-85	Health
61-70	Quite Healthy
41-60	Unwell
< 40	Not Healthy

Source: (Darmayanti, 2017).

Methods

This research was conducted based on the annual report and financial report by the official website of each country (i.e., Indonesia and Malaysia). In addition, the data included the report published by every general Islamic bank company in both countries. The sampling technique employed purposive sampling. This sampling technique is based on specific considerations. The secondary data collection used in this study is the documentation from websites and literature reviews collected from the journal, books, and various research results sources before. This research used the independent t-test for normal data and Mann-Whitney U-test for abnormal data, technique analysis using the SPSS, this software program that aims to analyze data and perform statistical calculations both parametric and non-parametric. The operational research variables used to examine the hypothesis were FDR, ROA, and CAR.

Result and discussion

General Figure of the Research Object

The sample was 12 general Islamic banks in Indonesia and Malaysia as presented in Table 3.

Table 3. List of Sample of Islamic Banks in Indonesia and Malaysia (2016-2020)

No	Indonesia	Malaysia
1.	Bank Syariah Mandiri(BSM)	Al-rajhi Banking (ARB)
2.	Bank BNI Syariah (BNIS)	Standard Chartered Saadiq Berhad (SCSB)
3.	Bank BRI Syariah (BRIS)	RHB Islamic Bank Berhad (RHBIBB)
4.	Bank BCA Syariah (BCAS)	Bank Islam Malaysia Berhad (BIMB)
5.	Bank Mega Syariah (MEGAS)	Kuwait Finance House Malaysia Berhad (KFHMB)
6.	Bank Muamalat Indonesia (BMI)	Hong Leong Islamic Bank Berhad (HLIBB)
7.	Bank Bukopin Syariah(BBS)	Public Islamic Bank Berhad (PIBB)
8.	Bank Panin Dubai Syariah (BPDS)	HSBC Amanah Malaysia Berhad (HSBCAMB)
9.	Bank Aceh Syariah (BCS)	OCBC Al-amin Bank Berhad (OCBCABB)
10.	Bank BPD NTB Syariah (BBPD NTBS)	Affin Islamic Bank Berhad (AIBB)
11.	Bank BTPN Syariah (BTPNS)	AmBank Islamic Berhad (AIB)
12.	Bank BJB Syariah (BJBS)	CIMB Islamic Bank Berhad (CIMBIBB)

The Financial Ratio with REC (Risk Profile, Earning, and Capital) Approach experiment's results are as follows:

Risk profile component. The use of the risk profile component is liquidity ratio with the operational variable of Financing Deposit to Ratio (FDR). Tables 3 and 4 present the FDR average and the criteria matrix:

Table 4. Matrix of FDR Determination Criteria

Rank	Descriptions	Criteria
1	Very Healthy	FDR < 75%
2	Healthy	75% ≤ FDR ≤ 85%
3	Healthy Enough	85% ≤ FDR≤ 100%
4	Unwell	100% ≤ FDR ≤ 120%
5	Not Healthy	FDR ≥ 120%

Table 5. Average FDR (%)

Country	Bank Code	Average FDR (%)	Rank	Rating Composite Soundness Level
Indonesia	BSM	81.96	13	PK 2
	BNIS	81.70	12	PK 2
	BRIS	81.37	9	PK 2
	BCAS	90.04	18	PK 3
	MEGAS	94.83	23	PK 3
	BMI	85.43	15	PK 3
	BUKOPINS	89.49	17	PK 3
	BPDS	91.65	19	PK 3
	BAS	80.49	6	PK 2
	BTPNS	94.06	20	PK 3
	BJBS	94.14	21	PK 3
Malaysia	ARBM	78.61	3	PK 2
	SCSCB	80.53	7	PK 2
	RHBIBB	82.91	14	PK 2
	BIMB	81.58	11	PK 2
	KFHM	79.02	4	PK 2
	HLIBB	81.41	10	PK 2
	PIBB	79.36	5	PK 2
	HSBCA MBB	94.41	22	PK 3
	OCBCAI BB	72.00	1	PK 1
	AMBIB	88.87	16	PK 3
	AIBB	75.66	2	PK 2
	CIMBIS BB	80.81	8	PK 3

The component used in this liquidity risk profile represented Financing Deposit to the ratio (FDR) by comparing budgeting results with the third-party funds. Table 5 showed that FDR ratio is considered good and healthy if it is indicated by less than 75% (<75) which influences the produced earnings

level. A trim level of liquidity is due to banks' funds having to provide funds for public financing needs. Therefore, if the bank sometimes lacks funds, then the funds will be difficult to dilute.

Islamic banks in Indonesia with a good level of FDR average of 80.49 % are placed in PK 2 of healthy. Meanwhile, Islamic banks in Malaysia reach PK1 of very healthy with an FDR average of 72% consisting of OCB Al-Amin Bank Berhad. Therefore, it could pay for a withdrawal by the customer by relying on the other financing provided.

In the earnings component, this study used Return on Assets (ROA) ratio that reflected the bank's profit level in producing earnings. And also, Capital Component used a Capital Adequacy Ratio (CAR) that reflected the level of weighted assets according to each risk in the capital component. For the group and statistic descriptive this research can be seen in Table 6:

Table 6. The Test Result of *Group Statistics*

	Bank	N	Mean	Std. Deviation	Std. Error Mean
FDR	PBS IND	12	88.7188	6.38978	1.84457
	PBS MLY	12	81.2645	5.77730	1.66776
ROA	PBS IND	12	.5082	.72496	.20928
	PBS MLY	12	.7022	.56093	.16193
CAR	PBS IND	12	20.8955	5.87905	1.69714
	PBS MLY	12	17.2688	3.34897	.96677

N was a calculated data, mean average, standard deviation, and Mean error standard for each variable based on Islamic banking in Indonesia and Malaysia. The FDR for Indonesia reached 88.71888 and for Malaysia about 81.2645. While ROA for Indonesia is 0.5082 and for Malaysia 0.7022. In addition, for Indonesia CAR is about 20.8955, and 17.2688 for Malaysia.

Table 7. The Test Result of *Group Statistics*

	Bank	N	Mean Rank	Sum of Ranks
Soundness level	PBS IND	12	11.42	137.00
	PBS MLY	12	13.58	163.00
	Total	24		

Table 7 showed that the calculated N Islamic bank Indonesia and Malaysia was 12 with the total of user data being 24 data. Furthermore, the average of both countries in the FDR variable is 88.718 for Islamic banking in Indonesia and 81.2645 for Islamic banking in Malaysia, with 6.38978 and 5.77730 of standard deviation.

In addition, the ROA means of Islamic banking in Indonesia and Malaysia were 0.5082 and 0.7022 with 0.72496 and 0.56093 standard deviations. Then, the CAR variable described a 20.8955 mean in Indonesian Islamic banking and a 17.2688 mean in Malaysian Islamic banking. As a result, the last Islamic soundness level bank in Indonesia has a mean of 73.7483. In contrast, Malaysia's Islamic soundness level bank has a rating of 79.9992, while Indonesia's and Malaysia's respective standard deviations were 13.25858 and 2.84197.

Table 8. The Test Result of *Descriptive Statistics*

	N	Range	Min	Max		Mean	Std. Deviation
FDR	24	27.46	72.00	99.46	84.9917	1.44317	7.07005
ROA	24	3.56	-1.40	2.16	.6052	.13097	.64161
CAR	24	19.02	12.98	32.01	19.0821	1.02724	5.03244
Bank_health	24	40.00	53.33	93.33	76.8738	2.02206	9.90602
Valid N	24						

The output descriptive statistic test above indicated that FDR, ROA, CAR, and soundness level bank output was the output of mean results from 24 general Islamic banks in 5 periods as showed at table 8. Furthermore, the researcher conducted a descriptive statistic test to indicate minimum, maximum, and standard deviation.

Based on table 8 FDR ratio, which is represented the liquidity risk profile, has a 72.00 minimum amount, 99.46 maximum amount, 84.9917 mean amount and 7.07005 standard deviation amount. Another component was the Earnings factor represented by ROA, where minimum and maximum of -1.40 and 2.16 with a mean of 0.6050 by a standard deviation of 0.64161. CAR was the capital component used in this study. The output indicated a minimum of 12.98, a maximum of 32.01, a mean of 19.0821, and a standard deviation of 5.03244. Then, the component of the soundness level bank was the total of the overall healthy amount by three variables that indicated a minimum of 53.33, maximum of 93.33 means of 76.8738, and standard deviation of 9.90602.

We also conducted the Normality Test. Based on table 9 of the normality test result, it can be concluded that the data were normally distributed by the significance value or probability value (p-value) for FDR, ROA and CAR were more than alfa (5%) or p-value (sig > 0.05) that sig of 0.252, 0.580, 0.273 > 0.005 except the data of soundness level bank that were not distributed generally because the significance value was smaller and nearer than 0.05, it was 0.002. Therefore, the next test in this study used two different test methods (i.e., independent sample T-test for the data that is distributed normally and Mann-Whitney U-test for the data that is not distributed normally for the hypothesis test).

Table 9. The Result of the One-Sample Kolmogorov-Smirnov Test

		FDR	ROA	CAR	Bank_Health
N		24	24	24	24
Normal Parameters[a,b]	Mean	84.9917	.6052	19.0821	76.8738
	Std. Deviation	7.07005	.64161	5.03244	9.90602
Most Extreme Differences	Absolute	.208	.159	.204	.374
	Positive	.208	.159	-.143	.209
	Negative	-.109	-.130	-.204	-.374
Kolmogorov-Smirnov Z		1.018	.778	.998	1.831
Asymp. Sig. (2-tailed)		.252	.580	.273	.002

a. Test distribution is Normal.

b. Calculated from data.

Several hypotheses are formulated such as:

H_0: There is no significant difference in the soundness level of Islamic Banks in Indonesia and Malaysia as seen from the REC approach.

H_1: There is no significant difference in the soundness level of Islamic Banks in Indonesia and Malaysia as seen from the Risk Profile approach.

H_2: There is no significant difference in the soundness level of Islamic Banks in Indonesia and Malaysia as seen from the Earnings approach.

H_3: There is no significant difference in the soundness level of Islamic Banks in Indonesia and Malaysia as seen from the Capital approach

H_4: There is no significant difference in the soundness level of Islamic Banks in Indonesia and Malaysia as seen from the REC approach.

Table 10. The Result of the Independent Sample t-test

		Levene's Test for Equality of Variances		t-test for Equality of Means	
		F	Sig.	t	df
FDR	Equal variances assumed	1.225	.280	2.998	22
ROA	Equal variances not assumed			2.998	21.780 22
	Equal variances assumed	.449	.510	-.733	
	Equal variances not assumed			-.733	20.696
CAR	Equal variances assumed	2.809	.108	1.857	22
	Equal variances not assumed			1.857	17.459
Bank	Equal variances assumed	41.954	.000	-1.597	22
health	Equal variances not assumed			-1.597	12.009

Table 10 provided the results of the Independent Sample T-test. From Levene's test result as shown at table 10, the F value calculation was 1.225 for the FDR variable along with 0.449 and 2.809 for the ROA and CAR variables with each P-value in the amount of 0.280, 0.510, and 0.108. Overall, the indicated sig value was far from 0.05. This, there is no comparative variant value on the variable of FDR, CAR, and ROA. In other words, the variable used in this study has equal data. Because the data is equal or homogeneous, the analysis used is equal variances assumed where the t value for the FDR variable is 2,998 with a 2-tailed sig of 0.280. Therefore, H0 is rejected and H1 is accepted. There are differences in the level of the Financing Deposit Ratio or FDR of the health of Islamic banks in Indonesia and Malaysia.

Meanwhile, for ROA and CAR, each has a t-count value and a 2-tailed sig of -0.773 and 1.875 with a sig. of 0.471 and 0.077 where both have a sig value greater than 0.05 meaning that according to the decision-making criteria that H_0 is accepted and H_1 is rejected. There is no significant difference between ROA (Return on Assets) and CAR (Capital Adequacy Ratio) on the health of Islamic banks in Indonesia and Malaysia. Then the output mean difference is

the difference between the two FDR data, ROA and CAR of Islamic banking in Indonesia and Malaysia and the standard error difference shows the difference in standard deviation shown by the numbers 7.45430 and 2.48674 for FDR and ROA produces values of -0.19401 and 0.26461 and CAR of 3.62673 and 1.95318. The final output is 95% Confidence interval of the difference which in this study uses a 95% confidence interval level or a tolerable range of values so that by using a 95% confidence interval the range of the difference between FDR, ROA, CAR of Islamic banking in Indonesia and Malaysia is 12.611488, 0.35475 and 7.67738.

Next, the Mann-Whitney U-test in this study and indicated in table 11. Thus, the soundness level bank variable indicated a sig 2 tailed of 0.401, where that number was far from 0.05. Therefore, H0 is accepted and H1 rejected, or there is no significant difference in the Islamic soundness level bank level in Indonesia and Malaysia.

Table 11. The Results of Mann Whitney U-test

Test Statistics[a]

	Bank Health
Mann-Whitney U	59.000
Wilcoxon W	137.000
Z	-.840
Asymp. Sig. (2-tailed)	.401
Exact Sig. [2*(1-tailed Sig.)]	.478[b]

The mean value in both countries was 11.42 for Indonesian Islamic banking and 13.59 for Malaysian Islamic banking (11.42 < 13.59). The value of Islamic banking soundness level in Indonesia is smaller than in Malaysia. Only 2.17 points separated Indonesia from Malaysia in terms of the difference

range, making it insignificant when comparing the soundness of Islamic banking in both countries.

Discussion

The first discussion deals with the Risk Profile Approach. Based on the hypothesis testing using the independent sample t-test represented by Financing Deposit Ratio or FDR was 0.401. The t-value calculated for the FDR variable was 2.998. As a result, H1 was accepted. Thus, there was a comparison of the Financing Deposit Ratio or FDR level with Islamic soundness level banks in Indonesia and Malaysia. FDR in Indonesia shows a mean value or an average of 88.87188 and in Malaysia of 81.2645. Therefore, the Indonesian FDR was better than Malaysia. The FDR ratio showed a significant difference between Indonesia and Malaysia.

The second discussion deals with the Earnings Approach. The analysis used in the earnings approach was represented by the return on assets (ROA). An Independent sample T-test was used because the data is normally distributed. ROA has a t count of -0.773 with sig 0.471, greater than 0.05. Then, H1 is rejected. In other words, there is no significant comparison ROA on Islamic soundness level banks in Indonesia and Malaysia. It can be concluded that there was no significant difference in Islamic banking ROA in Indonesia and Malaysia.

The next one is Capital Approach which is represented by a capital adequacy ratio or CAR. An independent sample t-test was used because the data were normally distributed. It shows a t-count of 1.875 with sig 0.077, making H0 accepted. There is no significant comparison between ROA and CAR on Islamic soundness level banks in Indonesia and Malaysia. However, the mean value obtained by Islamic banking in Indonesia was relatively better than Malaysian Islamic banking at 20.8955 > 17.2688, although the results obtained indicate that there was no significant difference in the CAR value of Islamic banks in Indonesia and Malaysia.

The last discussion deals with soundness level in terms of REC. The Mann-Whitney U-test was used because the data were not normally distributed. A non-parenthetic test with mean rank result indicated the level of Islamic soundness level bank in Malaysia is relatively better than the level of Islamic soundness level bank in Indonesia. This was proven by the mean rank value in Malaysia of 13.58 and Indonesia of 11.42. It means that H0 is accepted. The Islamic banking soundness level in Indonesia is smaller than in Malaysia with a difference of 2.17 indicating no significant differences between the soundness level of Islamic banks in Indonesia and Malaysia.

Conclusion

This study compares data on Islamic banking in Indonesia and Malaysia from 2016 to 2020. The sample was 12 banks for each country (i.e., Indonesia and Malaysia) accounting for a total of 24 samples that meet the criteria of sample on purposive sampling by RGEC approach. Hypothesis test through risk profile approach, represented by FDR ratio indicated a significant difference in soundness level of Islamic banks in Indonesia and Malaysia partially. Hypothesis test through earnings approach represented by ROA ratio indicated no significant difference on Islamic soundness level bank level in Indonesia and Malaysia partially on ROA factor. The hypothesis test through capital approach represented CAR ratio indicated no significant difference in soundness level of Islamic banks in Indonesia and Malaysia partially on CAR factor. The hypothesis test on the soundness level of Islamic banks indicated no significant difference in the Islamic soundness level bank level in Indonesia and Malaysia simultaneously. Studies in the future are recommended to use the Good Corporate Governance approach proxied by good corporate management in complementing the RGEC approach.

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