"Capturing Islamic bank performance in Indonesia during the COVID-19 crisis: RGEC and SCNP approaches"

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CAPTURING ISLAMIC BANK PERFORMANCE IN INDONESIA DURING THE COVID-19 CRISIS: RGEC AND SCnP APPROACHES

Abstract

While adhering to the unique principle of Islamic value, Islamic banks are subject to any occurring crisis, just like other banks in common. After the end of the COVID-19 crisis, it is important to determine whether Islamic banking can demonstrate its resilience based on the unique values it upholds. Therefore, the primary objective of this study is to capture how Islamic banks performed during the unprecedented challenge posed by COVID-19. By utilizing the data generated from financial reports, this study employs the RGEC (Risk Profile, Good Corporate Governance, Earnings, and Capital) method that was introduced by Indonesia Central Bank and SCnP (Sharia Conformity and Profitability) measurement. The findings show that by utilizing RGEC, the study classifies Islamic banks into tiers of health, distinguishing 7 as very healthy, 5 as healthy, and 2 as fairly healthy. Meanwhile, SCnP sheds light on the balance between Sharia conformity and profitability, highlighting 2 Islamic banks with commendable equilibrium, 5 displaying a tilt towards high profitability and low conformity, 4 with a tendency towards Shariah conformity with low profitability, and 3 struggling with challenges in both aspects. The study concludes the overall financial resilience of the majority of Islamic banks in Indonesia during the pandemic while noting that some banks faced challenges in achieving a harmonious balance between profitability and Sharia conformity.

Keywords Islamic banks, resilience, stability, financial performance, Shariah conformity, pandemic

JEL Classification G21, G33, E44

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INTRODUCTION

Islamic banks, much like their conventional counterparts, are not immune to the challenges of crises and turmoil within the global financial system. In fact, they must navigate the ever-changing economic landscapes and external shocks that characterize the banking industry. Consequently, acknowledging that crises and turmoil are inevitable is the first step towards understanding the challenges Islamic banks must confront and the strategies they employ to withstand such turmoil while staying true to their principles.

Prior to 2019, the Indonesian banking system faced two challenging situations such as the 1998 economic turmoil and the 2008 global crisis. Interestingly, various Islamic financial institutions remained consistent and stable, continuing to provide benefits, comfort, and security to all stakeholders of Islamic banks in Indonesia. In addition to that, Islamic banks like Muamalat demonstrated relatively better performance compared to conventional banks (Nofinawati, 2016; Utama, 2018; Anshori, 2008).

From various crises that have occurred, financial institutions have issued measurement guidelines for assessing the performance and health levels of banks annually or during critical periods. This includes the Circular Letter of Bank Indonesia No. 13/24/DPNP dated October 25, 2011 (Bank Indonesia, 2011), which demands banks, including Islamic, to assess their soundness level based on risk using the RGEC (Sari & Lestari, 2022). The RGEC framework includes Risk Profile, Good Corporate Governance, Earnings, and Capital Adequacy, which assesses a bank's vulnerability to risk, managerial quality, profit generation, and capacity to withstand losses (Abdullah, 2020).

However, due to the distinct features of Islamic banks, it is also necessary to establish benchmarks following different standards. Among these standards is the Shariah Conformity and Profitability (SCnP) model, which assesses the extent to which an Islamic bank's operations and activities comply with Shariah principles while also considering its profitability (Ratnaputri, 2013; Cakhyaneu et al., 2023). This approach is crucial for Islamic banks as they are required to operate in accordance with Islamic law which forbids specific activities in addition to their unique customer behavior (Wijaya et al., 2023; Athief & Ma'ruf, 2023).

In recent years, COVID-19 has emerged as another test for Indonesian Islamic banks, calling for further assessment. This assessment is crucial for reconsidering the fundamental concept behind the establishment of Islamic banks, which aims to create better resilience through a risk-sharing framework. Therefore, analyzing the performance and resilience of Islamic banks during the latest economic downturn caused by COVID-19 using RGEC and SCnP approaches emerges as a crucial undertaking, especially within the specific framework of Islamic banking in Indonesia.

1. LITERATURE REVIEW

RGEC is a method used to measure the financial soundness of banks in Indonesia, whether it is conventional or Islamic banks. The usage of RGEC in Indonesia is because the Indonesian Central Bank (Bank Indonesia) has overhauled the CAMELS factors into RGEC to assess the performance and health of banks. The transformation of CAMELS into RGEC is based on Bank Indonesia Regulation (PBI) No. 13/1/PBI/2011, published in January 2011 and effective in January 2012 (Maharani et al., 2020). While RGEC has been effective since 2012, the first paper that tried to translate the law into a matrix of measurement was done in 2014 by Lasta et al. (2014).

RGEC itself stands for Risk Profile, Good Corporate Governance, Earnings, and Capital. The RGEC framework, as a modified model from CAMELS, uses the risk profile calculation, which is based on two dimensions of calculation: the assessment of inherent risks and the effectiveness of risk management implementation in the operational activities of a bank, making it easier for banks to measure their health (Khalil & Fuadi, 2016). In overall, it is a risk-based performance measurement (Damayanti et al., 2020). Therefore, it provides a holistic view of a bank's performance, by taking into account not only financial metrics but also risk management practices, governance, and the ability to generate profits while maintaining adequate capital.

The RGEC framework consists of four indicators. First is the risk profile. Based on Article 7 of Bank Indonesia Regulation No. 13/1/PBI/2011 concerning the assessment of the solvency level of commercial banks, the risk profile assessment encompasses eight types of risks: market risk, compliance risk, credit risk, liquidity risk, reputation risk, legal risk, strategic risk, and operational risk (Permana, 2012).

Second is the Good Corporate Governance (GCG). The World Bank defines GCG as a collection of laws, regulations, and rules that are not only required but also capable of steering the efficient utilization of corporate resources. This, in turn, aims to generate long-term and sustainable economic value for both shareholders and the broader community. During the crisis, GCG is already a proven variable that helps a bank to sustain or even improve its performance (Aebi et al., 2012; Peni &

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Vähämaa, 2012). Elements examined within GCG encompass appraising the effectiveness of bank management in upholding principles of good corporate governance (Mulazid, 2016).

Third is the earnings. This indicator measures a company's ability to achieve net profit with the capital it uses. Earnings are calculated by comparing operating profit to total capital. The assessment of factors related to profitability serves the purpose of gauging a company's capability to generate profits. Earning capacity becomes a more important point of view for stakeholders as they do not pursue immediate financial gains that might be good in the short term but have a possible adverse effect in the long term (Enyi, 2022).

Fourth is the capital. The assessment of capital involves appraising both the adequacy of capital management and the capital itself. Banks must comply with the regulations of Bank Indonesia when determining capital under the Minimum Capital Adequacy Requirements. Banks are also obligated to meet the Capital Adequacy Ratio provided to anticipate risks (Pramana & Yunita, 2017).

Under RGEC, a bank's healthiness is labeled based on a composite score of the overall indicators mentioned previously. Five composite ranks are used in RGEC, from 1 to 5, indicating a bank's condition from very healthy to not healthy. Table 1 shows more detail on the composite score and ranking within the RGEC framework.

Table 1. Range of the composite index in RGEC

Source: Bank Indonesia (2011).

Composite Score (%)	Category	Composite Rank
86-100	Very Healthy	1
71-85	Healthy	2
61-70	Fairly Healthy	3
41-60	Less Healthy	4
< 40	Not Healthy	5

Meanwhile, Shariah Conformity and Profitability (SCnP) is a method for evaluating the financial performance of Islamic banks. It goes beyond measuring profits alone (profitability) and considers the alignment with Sharia principles and objectives (sharia conformity). In essence, this SCnP-based approach combines profitability metrics with a Sharia compliance index. The SCnP model evaluates the level of Shariah conformity of Islamic banks based on their compliance with Shariah principles, such as the prohibition of interest (riba), gambling (maysir), and uncertainty (gharar) while acknowledging that profitability is one of the main goals in Islamic finance institution. It is measured by considering two average scores: the sharia conformity score and the profitability score. Sharia conformity score is measured using three ratios: Islamic investment, Islamic income, and profit-sharing ratio. Meanwhile, the profitability score is calculated using three more ratios: ROE, ROA, and NPM (Cakhyaneu et al., 2023).

After obtaining all the two overall scores, the results will be formulated and projected into a graph according to the theory and the quadrant positions on the SCnP. The placement of the assessed banks within the quadrant graph follows this rule:

- If the result of adding the Shariah Conformity and Profitability index shows a positive outcome (> 0), it falls into quadrant 1, which indicates Good Performance.
- If the result of adding a high Shariah Conformity index (> 0) and low Profitability (< 0), it falls into quadrant 2, which indicates Fairly Good Performance.
- If the result of adding a low Shariah Conformity index (< 0) and high Profitability (> 0), it is located in quadrant 3, which indicates Less Good Performance.
- If the result of adding the Shariah Conformity and Profitability index shows a negative outcome (< 0), it falls into quadrant 4, which indicates Poor Performance.

There are two clear advantages of the Sharia Conformity and Profitability (SCnP) framework as a performance measurement tool in banking. Firstly, this framework is more complex as it requires combining two assessment orientations that cannot be separated: the Sharia aspect of a bank and its financial aspect. Secondly, due to the combination of two socio-economic adjustments in SCnP, the results of this measurement are considered more effective. Hence, the financial performance measurement tool using the SCnP method can be an alternative choice in assessing the performance or financial health of Islamic commercial banks (Azizah & Widyananto, 2022).

While the acute phase of the COVID-19 pandemic may have passed by 2023, researchers tried to capture the performance of Islamic financial institutions (Lantara et al., 2022; Rohman et al., 2022; Athief et al., 2023). Despite the importance of RGEC and SCnP framework, several studies tried to investigate the performance of Islamic banks in Indonesia using other various methods in order to capture its performance during the COVID-19 crisis.

Some studies assess the performance of Islamic banks using CAMEL even though it is an outdated measurement method in Indonesia as explained previously. The examples include Sullivan and Widoatmodjo (2021), Indira (2021), Syahputra (2022), Sanjaya et al. (2022), and Muhammad and Nawawi (2022), all of whom assessed Islamic banking performance using the CAMEL method, resulting in similar conclusions that Islamic banks' performance remained good and stable during the pandemic, albeit with some decline in capital and asset quality aspects.

In contrast, researchers such as Sholihah (2021), Hidayat et al. (2021), and Ihsan and Hosen (2021) employed multiple methods like CAMEL, RGEC, Altman Z-Score, and Data Envelopment Analysis (DEA). Ihsan and Hosen (2021) concluded that the performance and health of Bank BNI Syariah were reasonably good, with Altman Z-Score indicating a non-bankruptcy condition. Sholihah (2021), using DEA calculations, found a substantial decrease in the efficiency of Indonesia's 13 Islamic banks. Meanwhile, Hidayat et al. (2021), using the RGEC measurement, indicated that Islamic banks maintained a positive performance throughout the health crisis of COVID-19.

Different methodologies were applied by Fitriani (2020), Surya and Asiyah (2020), and Ilhami and Thamrin (2021), who used Independent Sample T-Test, Paired Sample T-Test, and Minitab Software. Ilhami and Thamrin (2021), using Paired Sample T-Test, concluded that COVID-19 had an insignificant impact on the financial performance of Islamic banking in Indonesia. Conversely, Surya and Asiyah (2020), utilizing the Independent Sample T-Test, found differences between BNI Syariah and Bank Syariah Mandiri in terms of NPF, ROA, and BOPO, but not in CAR and ROE. Fitriani (2020), employing Minitab Software, discovered significant differences in the financial performance of BNI Syariah and BRI Syariah.

As can be observed, none of the aforementioned studies attempted to analyze the performance of Islamic banks in Indonesia simultaneously using RGEC and SCnP to evaluate an Islamic bank's performance in Indonesia during COVID-19. However, it has been mentioned that RGEC and SCnP approaches will help better in capturing Islamic banks' performance in Indonesia since RGEC fits best for the banking landscape in Indonesia, while the SCnP is more suitable in picturing the unique characteristics of Islamic banks. Therefore, the primary objective of this study is to investigate how Islamic banks in Indonesia performed during the pandemic using RGEC as the prevailing standard in Indonesia and to scrutinize their performance based on the unique Islamic feature as incorporated within the SCnP framework.

2. METHODOLOGY

To conduct this study, the researchers followed a structured process. The first step involved gathering data from the financial reports of Islamic commercial banks in Indonesia that are part of the state-owned enterprises (BUMN) and private Islamic banks during the pandemic. Based on data from that year, there were 14 Islamic commercial banks: Bank Mandiri Syariah, BNI Syariah, BRI Syariah, Muamalat, BCA Syariah, Aceh Syariah, BJB Syariah, NTB Syariah, Panin Dubai Syariah, Syariah Bukopin, BTPN Syariah, Victoria Syariah, Mega Syariah, and Maybank Syariah.

The second step involved data extraction from various financial reports. Data such as Non-Performing Financing (NPF), Financing to Deposit Ratio (FDR), Return on Assets (ROA), Capital Adequacy Ratio (CAR), Return on Equity (ROE), and Net Profit Margin (NPM) were extracted from financial ratios. Some data that could not be extracted directly, such as Sharia-

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Table 2. RGEC indicators and score calculations

Source: Circular Letter of Bank Indonesia No. 13/24/DPNP (Bank Indonesia, 2011) as interpreted by Lasta et al. (2014).

Items	Indicators and Measurement	Scores				
		5	4	3	2	1
Risk Profile	$NPF = \frac{Non\ Performing\ Financing}{Total\ Financing}$	< 7%	7%-10%	10%-13%	13%-16%	> 16%
	$FDR = \frac{Total\ Financing}{Total\ Deposit}$	50%-75%	75%-85%	85%-100%	100%-120%	> 120%
	$Liquid\ Asset = \frac{Liquid\ Asset}{Total\ Aset}$	50%-75%	75%-85%	85%-100%	100%-120%	> 120%
GCG	Good Corporate Governance Score	< 1.5	< 2.5	< 3.5	< 4.5	> 4.5
Earnings	$ROA = \frac{Net\ Income}{Total\ Asset}$	> 1.45%	1.25%-1.45%	0.99%-1.25%	0.765%-0.99%	< 0.765%
	$NIM = \frac{Earnings\ from\ PLS}{Total\ Earning}$	> 2.5%	2%-2.5%	1.5%-2%	1%-1.5%	< 1%
Capital	$CAR = \frac{Capital}{Risk\ Weighted\ Asset}$	> 11%	9.5%-11%	8%-95%	6.5%-8%	< 6.5%

compliant investments, Sharia-compliant income, and profit-sharing ratios, were processed separately. Information regarding Good Corporate Governance (GCG) was already included in the implementation of good corporate governance in the annual financial reports of each bank.

The third step involved data processing based on each framework. For RGEC, the data was processed and then converted into scores predetermined by Bank Indonesia. Table 2 shows in detail how the scores of each indicator are determined. Afterward, the values obtained from calculating each RGEC indicator are summed up and converted into a percentage to determine the Composite Ranking (CR).

The data processing in the SCnP method is done by calculating the Sharia compliance score, which is obtained from the average value of the Sharia conformity ratio, and by calculating the profitability score, which is obtained from the average profitability ratio. The definition of each indicator is derived from Prasetyowati and Handoko (2016), as shown in Table 2. Each Sharia conformity ratio and profitability ratio will be averaged and calculated by Equation (1) and Equation (2).

$$SC = \frac{R_1 + R_2 + R_3}{3}, \tag{1}$$

$$P = \frac{R_1 + R_2 + R_3}{3}, \tag{2}$$

Table 3. Indicators and measurement of SCnP

Source: Kuppusamy et al. (2010), Prasetyowati and Handoko (2016).

Dimension	Indicators	Measurements
Shariah Conformity	Islamic Investment	$\frac{Islamic\ Investment}{Islamic\ Investment\ +\ non-Islamic\ Investment}$
	Islamic Income	$\frac{Islamic\ Income}{Islamic\ Income\ +\ non-Islamic\ Income}$
	Profit Sharing	$\frac{Mudharabah + Musyarakah}{Total\ Financing}$
Profitability	ROA	$\frac{Net\ Income}{Total\ Assets}$
	ROE	$\frac{Net\ Income}{Shareholder's\ Equity}$
	NPM	$\frac{Net\ Income}{Total\ Operating\ Revenue}$

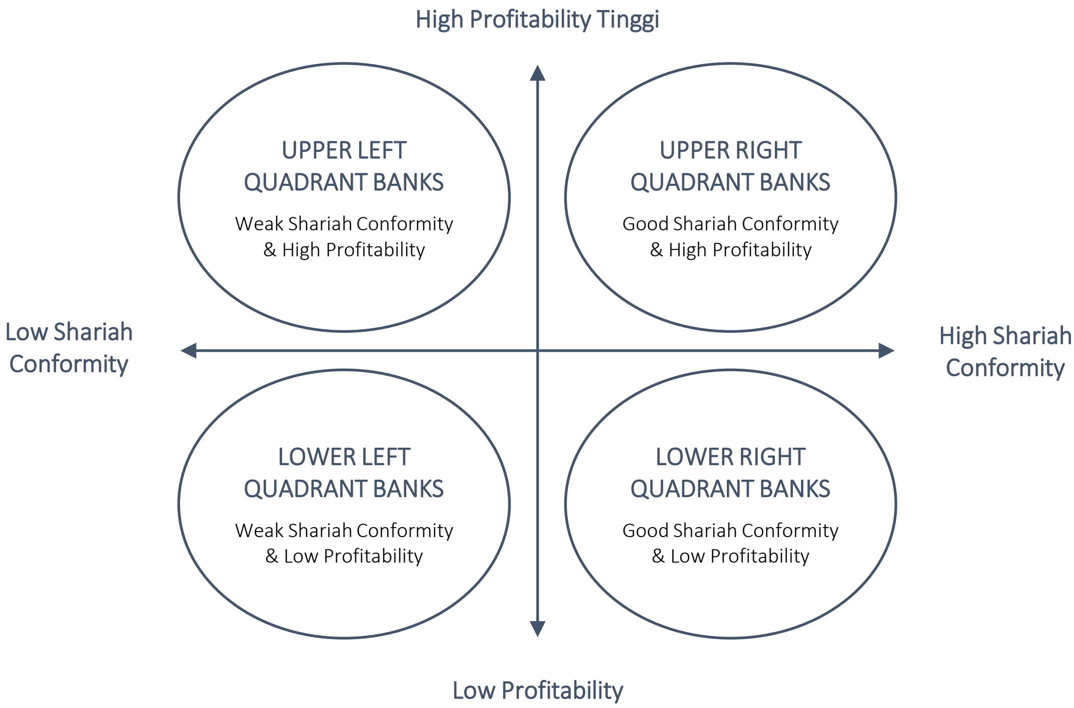

Figure 1. SCnP quadrant

where SC = Sharia conformity score; P = Profitability score; R_1 = First ratio on Sharia conformity and profitability variables; R_2 = Second ratio on Sharia conformity and profitability variables; R_3 = Third ratio on Sharia conformity and profitability variables.

The data processing in SCnP is followed by plotting the overall result in a four-quadrant graph. SC or Shariah conformity will be the coordinate point on the X-axis, and P or profitability will be the coordinate point on the Y-axis. The result from graph plotting will be interpreted according to the coordinate in which an Islamic bank falls whether it is Upper Right Quadrant (URQ), Lower Right Quadrant (LRQ), Upper Left Quadrant (ULQ), or Lower Left Quadrant (LLQ). The details of the interpretation can be seen in Figure 1.

3. RESULTS

3.1. RGEC results

After carefully extracting the data from the annual report, the data was then analyzed using the composite score of RGEC. Appendix A shows how each of the 7 indicators within the four dimensions of RGEC is calculated. As can be seen there, three Islamic banks have higher NPFs compared to their peers, which are Muamalat, Syariah Bukopin, and Victoria Syariah. As for the FDR, several banks are seen to use an aggressive approach in their financing strategy, which are Syariah Bukopin, and Panin Dubai Syariah, while the most conservative approach is conducted by Mega Syariah. While FDR is commonly used to gauge banks' ability to meet their short-term obligation with the ideal ratio of 75%, banks' policies may vary from one to another. On the other hand, the liquid asset to total asset ratio shows that all Islamic banks except for Muamalat and Syariah Bukopin kept their liquidity ratio as close as possible to 1, which basically means a balancing strategy of meeting short-term obligations and ensuring profitability. By holding a substantial portion of assets in liquid form, these banks can swiftly address immediate financial requirements while concurrently seeking to optimize profitability. The Good Corporate Governance aspect, which was taken directly from the annual report, shows that the majority of Islamic banks obtained good scores during the pandemic aside from Muamalat and BJB Syariah. This clearly indicates that Islamic banks uphold

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their governance principle despite the desperate situation of a pandemic. The resilience displayed by most Islamic banks in maintaining strong scores in the Good Corporate Governance aspect reflects a commitment to transparency, accountability, and ethical business practices during challenging times.

As for the earning aspects, there are two indicators which are ROA and NIM. While the majority of Islamic banks have an average of 1% ROA, BTPN Syariah showed tremendously different performance where it gained as high as 7.16% ROA. On the other hand, three Islamic banks are found to perform far below their average peers, which are Muamalat, Panin Dubai Syariah, and Syariah Bukopin, with 0.03%, 0.06%, and 0.04% ROA, respectively. This suggests a lower efficiency in generating profits from assets compared to the industry average. The Net Interest Margin (NIM), or specifically the Net Profit Margin in Islamic banking, shows the profitability from its core financing and investment activities. Here, BTPN Syariah has the highest Net Profit Margin at 24.76%, while Panin Dubai has the lowest NPM by 1.94%. Lastly, all Islamic banks show that their CAR far exceeds the minimum requirement, which shows strong financial stability and regulatory compliance across the industry.

Following a rigorous calculation for each indicator, the indicators are then translated into scores using the previously described formula provided in Table 1. The results of this conversion are presented in Appendix B, depicting both the maximum score and the corresponding performance of Islamic banks based on these converted scores. Subsequently, the total score is then computed and further converted into a composite score, offering insights into the overall performance of Islamic banks in their composite ranks. The composite score serves as a criterion for evaluating the effectiveness of Islamic banks, and all pertinent results can be found in Appendix B. The results show that there are seven banks that performed very well during the pandemic according to the RGEC method, which are Mandiri Syariah, BNI Syariah, BCA Syariah, Aceh Syariah, NTB Syariah, BTPN Syariah and Mega Syariah. Meanwhile, five banks are considered to have a healthy condition, which are BRI Syariah, Muamalat, BJB Syariah, Victoria Syariah, and Maybank Syariah. Lastly, two banks are considered only to be fairly healthy, which are Panin Dubai Syariah and Syariah Bukopin. The difference between banks underscores the diversity of responses within the Islamic banking sector during the COVID-19 crisis. The result also shows that private-owned and state-owned Islamic banks are affected by the crisis.

3.2. SCnP results

Unlike RGEC, which converts quantitative values into a score range, SCnP directly utilizes the results of financial statement data analysis to be projected onto a quadrant graph. Table 4 shows the calculation result of each indicator required to obtain the SCnP outcome. It can be seen that the investments made by Islamic banks fully adhere to the established guidelines, as evidenced by Sharia supervision declaring their entire investments to be 100% Sharia-compliant. This aligns with the significantly high Sharia income generated by Islamic banking. It is noteworthy that only one Islamic bank, Muamalah Bank, has Sharia income of less than 90%. However, apart from Muamalah Bank, others have Sharia income above 95%, with three of them reaching up to 100%. While it is anticipated that the entire income of Islamic banks complies with Sharia guidelines, the presence of banks in a dual banking system and the various possibilities of non-halal transactions make Islamic banks inevitably associated with non-Sharia income (Nurhadi, 2019).

The profitability ratio, which consists of ROA, ROE, and NPM, shows how Islamic banks vary widely from one to another in their performance. For ROA, as mentioned before, BTPN Syariah has the highest number. Meanwhile, there are three banks with outstanding achievements, which are Mandiri Syariah, Aceh Syariah, and BTPN Syariah. The most interesting part here is the Aceh Syariah since this bank only recently converted from conventional to Islamic. The result here shows that despite this conversion, people in Aceh put their trust in this bank even after the conversion (Desky & Iskandar, 2020).

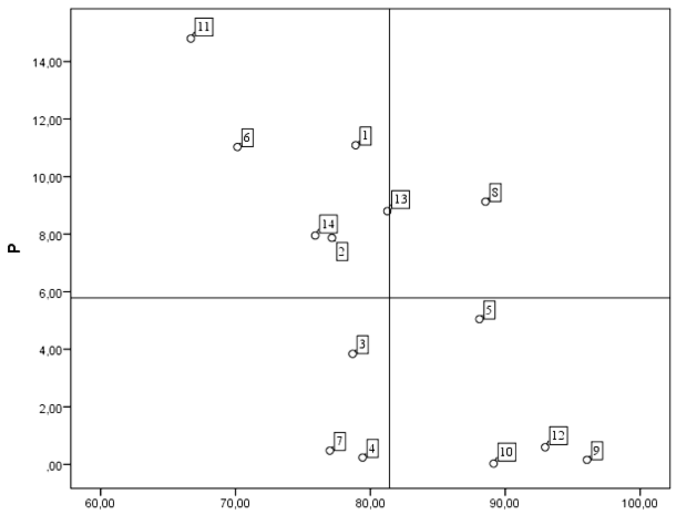
As for the NPM, the majority of the banks gained more than 15%, where there are five banks that have exceptionally very low achievement, which

Table 4. Results of calculating SCnP indicators

Islamic Banks	Shariah Conformity			Profitability			Score	
	Islamic Investment	Islamic Income	Profit Sharing	ROA	ROE	NPM	Shariah Conformity	Profitability
Mandiri Syariah	100%	99.99%	36.73%	1.65%	15.03%	16.61%	78.90%	11.09%
BNI Syariah	100%	99.94%	31.48%	1.33%	9.97%	12.33%	77.14%	7.87%
BRI Syariah	100%	99.91%	36.15%	0.81%	5.03%	5.70%	78.68%	3.84%
Muamalat	100%	87.08%	51.20%	0.03%	0.29%	0.41%	79.42%	0.24%
BCA Syariah	100%	99.98%	64.26%	1.09%	3.1%	10.97%	88.08%	5.05%
Aceh Syariah	100%	99.85%	10.58%	1.73%	15.72%	15.64%	70.14%	11.03%
BJB Syariah	100%	99.99%	30.96%	0.41%	0.51%	0.54%	76.98%	0.48%
NTB Syariah	100%	100%	65.60%	1.74%	9.54%	16.11%	88.53%	9.13%
Panin Dubai Syariah	100%	97.84%	90.31%	0.06%	0.01%	0.43%	96.05%	0.16%
Syariah Bukopin	100%	99.92%	67.49%	0.04%	0.02%	0.03%	89.13%	0.03%
BTPN Syariah	100%	99.98%	0.08%	7.16%	16.08%	21.16%	66.68%	14.80%
Victoria Syariah	100%	100%	78.87%	0.16%	1.51%	0.14%	92.95%	0.60%
Mega Syariah	100%	99.95%	43.81%	1.74%	9.76%	14.91%	81.25%	8.80%
Maybank Syariah	100%	100%	27.70%	1.04%	5.13%	17.69%	75.90%	7.95%

are Muamalat, BJB Syariah, Panin Dubai Syariah, Syariah Bukopin, and Victoria Syariah. NPM serves as a crucial economic indicator, revealing the financial prowess of Islamic banks in generating profits from their core financing and investment activities. The remarkable performance of the majority of the banks underscores the sector's resilience and efficacy in translating financial strategies into tangible profitability, thereby contributing to the industry's overall stability.

All of the results are then calculated to find the shariah conformity and profitability scores with the formula explained in the methodology part. The results of all shariah conformity and profitability scores are then plotted in the quadrant graph, as shown in Figure 2. As can be seen, there are three banks that fall under the lower left part, which are BRI Syariah, Muamalat, and BJB Syariah, indicating low profitability and weak shariah conformity. Meanwhile, BCA Syariah, Panin Dubai Syariah, Syariah Bukopin, and Victoria Syariah fall under the lower right part, which means tight and high shariah compliance while compromising their profitability. In the upper left part, there are five banks, which are Mandiri Syariah, BNI Syariah, Aceh Syariah, BTPN Syariah, and Maybank Syariah as Islamic banks with high profitability yet compromising their shariah conformity. Lastly, there are only Mega Syariah and



Note: Numbering and sequence correspond to Table 4.

Figure 2. Projection of SCnP quadrant

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NTB Syariah, which are regarded as the most ideal Islamic banks because they comply with Islamic guidance while having high profitability during a pandemic.

4. DISCUSSION

The research outcomes obtained from applying the Sharia Conformity and Profitability (SCnP) and Risk Profile, Good Corporate Governance, Earnings, Capital (RGEC) methodologies to evaluate the performance of Islamic banks amid the COVID-19 pandemic showed nuanced insights into the ongoing discourse.

The identification of seven banks – Mandiri Syariah, BNI Syariah, BCA Syariah, Aceh Syariah, NTB Syariah, BTPN Syariah, and Mega Syariah – as top performers during the pandemic under the RGEC framework shows a similarity of good FDR. This amplifies the results of the study by Kartika et al. (2020) and Nugroho et al. (2021), who found that FDR positively and significantly affects overall operations. In addition, Zaheer and Farooq (2014) highlighted that Islamic banks can grant more financing amidst the crisis since they are less sensitive to the changes in deposits, which means FDR can influence banks' ability to provide financing during challenging economic conditions. These seven banks also notably have high ROA, which means they performed much better than their peers, considering Islamic banks, in general, have difficulties in gaining high ROA compared to conventional banks (Sobol et al., 2023). It is also important to highlight that the findings here diverge from the conclusions drawn by Indira (2021), Muthoifin (2021), and Fajri et al. (2022), who indicated a decline in capital, asset quality and financing across Islamic banks and other Islamic financial institutions during the pandemic. The nuanced identification of specific banks excelling within the RGEC framework offers a deeper understanding of performance variations.

The classification of five banks, BRI Syariah, Muamalat, BJB Syariah, Victoria Syariah, and Maybank Syariah, as having a healthy condition is in line with the outcomes of Syahputra (2022), who found that Islamic banks as a whole exhibited resilience during the pandemic. A study by Diana et al. (2021) also confirmed part of the result in this study where BRI Syariah was found to have a declined performance during the pandemic. While Mandiri Syariah and BNI Syariah demonstrated resilience, BRI Syariah's distinctive customer base and operational strategies tailored to middle and low-income segments might have influenced its trajectory during the economic disruptions caused by the pandemic. The bank's commitment to catering to the needs of middle and low-income customers implies a unique set of challenges and opportunities. Serving this particular market segment during a period of economic upheaval could have posed specific challenges for BRI Syariah. On the other hand, the bank's targeted focus might have also positioned it strategically to address the financial needs of a demographic significantly impacted by the pandemic.

Meanwhile, Panin Dubai Syariah and Syariah Bukopin scored for only a fairly healthy category. This is in contrast with the finding by Nurdzanah et al. (2022), who found that Islamic banks that are only window banking performed better than full-fledged Islamic banks during a pandemic. In addition to that, Syariah Bukopin is already a declining bank from before the pandemic (Hendrich et al., 2022), and thus, the pandemic exacerbates the condition even more. Such a result also introduces a nuanced perspective that may diverge from the broader narrative of sector-wide resilience.

The SCnP analysis outcomes align with existing studies that emphasize the inherent challenges and trade-offs faced by Islamic banks in balancing Sharia conformity and financial performance during periods of economic strain. Prasetyowati and Handoko (2019) argued that Islamic banks often encounter difficulties in maintaining profitability while strictly adhering to Sharia principles. The profitability itself is actually driven by several factors, including the NPF, operational costs, and its CAR (Kusumastuti & Alam 2019). However, at least two banks that fall in the upper-right quadrant, which are Mega Syariah and NTB Syariah, resonate with Kuppusamy et al.'s (2010) assertion that achieving a harmonious balance between Sharia conformity and profitability is possible, albeit challenging. This supports the argument that certain banks have successfully implemented robust strategies to navigate the complexities of dual objectives during crises.

It is also important to highlight here that the SCnP result is different from the general achievement of the benchmarked Islamic banks around Asia. Cakhyaneu et al. (2023) found that 10 Islamic banks around Asia all performed very well and achieved the balance between profitability and shariah conformity. This includes Mandiri Syariah which was found at the upper-right quadrant. However, current research found that Mandiri Syariah shifted to the upper-left quadrant albeit very close to the upper-right quadrant. In other words, the pandemic brought a noticeable effect on the benchmarked Islamic banks, and thus, especially on other banks. Not only Mandiri Syariah, BRI Syariah, and BNI Syariah – all these three are state-owned Islamic banks – also experienced a decline from what Siregar and Shifa (2021) found. Interestingly, Mega Syariah, as a private Islamic bank of a conventional subsidiary, showed a consistent performance where the bank falls under the upper-right quadrant since before the pandemic even during the pandemic (Ratnaputri, 2013).

CONCLUSION

This study tries to capture the performance of Islamic banks in Indonesia using RGEC and SCnP as these are deemed to be the most suitable framework of performance evaluation. Based on the research findings and the previous elaboration of data, it can be concluded that the results obtained from these two models or methods are quite distinct.

This study concludes on the collective financial resilience exhibited by the majority of Islamic banks in Indonesia amidst the challenges posed by the pandemic. However, it is noteworthy that despite successfully maintain their financial condition, certain banks encountered difficulty in adhering to sharia principles while maintaining profitability at the same time. This study also emphasizes that achieving a harmonious balance between financial performance and Sharia conformity proved to be a notable aspect that demanded strategic consideration for some banks.

By addressing the nuanced challenges faced by Islamic banks, this study contributes directly to practical decision-making for those navigating the complex landscape of Islamic banking during times of global crisis as it gives details on the fundamental problems of each bank based on RGEC and SCnP. Based on the findings presented in this study, it is recommended that strategies aimed at improving Islamic banking performance during crises should be distinctive, with a focus on strengthening adherence to Islamic principles while preserving the well-established resilience of the sector.

AUTHOR CONTRIBUTIONS

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APPENDIX A

Table A1. Results of calculating RGEC indicators

Islamic Bank	Risk Profile			GCG	Earning		Capital
	NPF	FDR	Liquidity	Good Corporate Governance	ROA	NIM	CAR
Mandiri Syariah	0.72%	73.98%	97.45%	1	1.65%	6.07%	16.88%
BNI Syariah	1.35%	68.79%	95.91%	2	1.33%	6.41%	21.36%
BRI Syariah	1.77%	80.99%	97.99%	2	0.81%	5.89%	19.04%
Muamalat	3.95%	69.84%	87.99%	3	0.03%	1.94%	15.21%
BCA Syariah	0.01%	81.32%	96.10%	1	1.09%	4.57%	45.26%
Aceh Syariah	1.53%	70.82%	93.42%	2	1.73%	6.94%	18.60%
BJB Syariah	2.86%	86.64%	93.47%	3	0.41%	5.14%	24.14%
NTB Syariah	0.77%	86.53%	97.90%	2	1.74%	4.38%	31.60%
Panin Dubai Syariah	2.45%	111.71%	92.91%	2	0.06%	1.19%	31.43%
Syariah Bukopin	4.95%	196.73%	85.94%	2	0.04%	1.94%	22.22%
BTPN Syariah	0.02%	97.37%	95.84%	2	7.16%	24.76%	49.44%
Victoria Syariah	3.01%	74.05%	94.16%	2	0.16%	1.92%	24.60%
Mega Syariah	1.38%	63.94%	92.49%	2	1.74%	4.97%	24.15%
Maybank Syariah	2.49%	79.25%	92.67%	2	1.04%	4.55%	24.31%

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APPENDIX B

Table B1. Final result of RGEC calculation

Indicators	RGEC Score														
	Maximum Score	**Mandiri Syariah**	**BNI Syariah**	**BRI Syariah**	**Muamalat**	**BCA Syariah**	**Aceh Syariah**	**BJB Syariah**	**NTB Syariah**	**Panin Dubai Syariah**	**Syariah Bukopin**	**BTPN Syariah**	**Victoria Syariah**	**Mega Syariah**	**Maybank Syariah**
NPF	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
FDR	5	5	5	4	5	4	5	3	3	2	1	3	5	5	4
Liquidity	5	3	3	3	3	3	3	3	3	3	3	3	3	3	3
GCG	5	5	4	4	3	5	4	3	4	4	4	4	4	4	2
ROA	5	5	4	2	1	3	5	1	5	1	1	5	1	5	3
NIM	5	5	5	5	3	5	5	5	5	2	3	5	3	5	5
CAR	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
Total	35	33	31	28	25	30	32	25	30	22	22	30	26	32	27
Composite	100%	001%	001%	001%	001%	001%	001%	001%	001%	001%	001%	001%	001%	0.91%	0.77%
Composite rank		1	1	2	2	1	1	2	1	3	3	1	2	1	2
Criteria		Very Healthy	Very Healthy	Healthy	Healthy	Very Healthy	Very Healthy	Healthy	Very Healthy	Fairly Healthy	Fairly Healthy	Very Healthy	Healthy	Very Healthy	Healthy