

THE EFFECT OF COVID-19 PANDEMIC ON THE SOUNDNESS OF ISLAMIC BANKS IN INDONESIA

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ABSTRACT

This study aims to answer the debate regarding the impact of the Covid-19 Pandemic on the soundness of Islamic banks in Indonesia. In this study, the soundness of Islamic banking is measured using the RGEC method. The object of the research is focused on all Islamic banking companies operating in Indonesia, with a total population of 14 companies. The data is the company's annual reports before and during the Pandemic, namely the 2019 and 2020 periods. The sampling technique used the purposive sampling technique. After the sample selection process, only 12 companies that met the criteria for further analysis remained. The data analysis technique used descriptive statistical analysis and independent t-tests with an independent t-test and Wilcoxon signed-rank test, which had previously passed the normality test. The results showed that only the capital adequacy ratio indicator experienced significant differences before and during Indonesia's covid-19 pandemic, while the other three indicators showed no significant differences. This indicates that Islamic banking is still quite capable of overcoming the impact of the Pandemic so that it does not seriously affect the soundness of Islamic banking.

Keywords: Covid-19 Pandemic; Islamic Banks Soundness; RGEC Method.

INTRODUCTION

The world is being shaken by an unprecedented health crisis caused by the new coronavirus. The impact of the Covid-19 Pandemic is not only limited to the health aspect but also spreads to the economic aspect, which is starting to shake. The many policies of closing business activities and restrictions on community activities have pushed the global economy to the brink of the worst recession in recent years (World Bank, 2020). The world's gross domestic product (GDP) is estimated to contract by 3% in 2020, and the accumulated losses will reach US\$ 9 trillion during the 2020-2021 period (International Monetary Fund, 2020). This economic crisis continues to have more worrying impacts, such as rampant layoffs and bankruptcies in various business sectors (Alon et al., 2020; Baldwin & Di Mauro, 2020).

The financial sector is one of the business sectors that has significantly impacted the Covid-19 Pandemic. This sector is feared to receive a much more severe impact from the global economic crisis that occurred in 2008-2009 (Beck, 2020; Goodell, 2020; McKibbin & Fernando, 2020). This is because the Covid-19 Pandemic has a systemic impact on economic chaos that has never existed before, so it will be difficult to control (Miah et al., 2021). This situation encourages speculation from experts to examine the possible impact of the Pandemic on the financial sector in general and banking in particular.

In a country with a Muslim majority population such as Indonesia, the banking industry is not only familiar with conventional banking, but Islamic banking is also growing quite rapidly. Islamic banking generally has better resilience than conventional banks when rocked by systemic financial crises such as the Pandemic (Hassan & Aliyu, 2018). This is due to the unique nature of the Islamic bank's business. Islamic banks will benefit from equity-based financing of business profits obtained by the debtor by the contract that was agreed upon at the beginning. On the other hand, if the debtor suffers a business loss, the Islamic bank will also receive the impact of the debtor's failure (Wahyudi et al., 2020). This mechanism will be easy to implement, so the profits or losses obtained can be predicted.

This assumption is in line with the Minister of Finance Sri Mulyani, who claimed that the stability, durability, and soundness of Islamic banking were considered more stable during the Pandemic (Habibah & Suharto, 2021). Several Islamic bank financial indicators are considered to remain stable, and some of them have even recorded positive growth amid the Pandemic. The following is the stability of Islamic banking during the Pandemic assessed from several financial ratio indicators.

Table 1. Performance of Islamic banks in 2021

Financial ratio indicators	Figure	Description
Total assets	IDR 1.710.6 trillion	Holding a 9.69% market share
Third-party funds (TPF)	Grow 11.56%	Bigger than conventional 11.49%
Sharia financing	Grow 9.42%	Higher than conventional by 0.55%
Capital adequacy ratio	Average 23.5%	Fill up the minimum standard of 8%
Non-performing financing	Average 3.31%	Below the standard of 5%
Number of Islamic investors	Grow 108%	-
Sharia stock transactions	IDR 6.2 billion	Grow 59% from the previous year

Source: Secondary data 2021, processed.

Based on the data presented in table 1, proves that the stability of Islamic banking as assessed from financial ratio indicators during the Pandemic is indeed quite encouraging. Several indicators are growing positively amid the shock of the Pandemic that has not subsided. However, the current situation is a situation that is very difficult to control and difficult to predict because the impact of the Pandemic on economic activity was quite complicated and unimaginable before (Miah et al., 2021). This raises the assumption that the shock of the Pandemic will also impact the soundness of Islamic banks more broadly and not just on financial ratios. This statement motivates this research to examine the impact of the Covid-19 Pandemic on the soundness of Islamic banks in Indonesia by using a more appropriate method.

The government has agreed that the measurement of the soundness of Islamic banks is not only sufficient in quantitative aspects, but qualitative indicators must also be considered. In Indonesia, the method that is often used as a reference in assessing the soundness of a bank is the RGEC method. This method replaces the previous method, CAMELS, which combines Capital, Asset Quality, Management, Earning, Liability or Liquidity, and Sensitivity to Market Risk. The RGEC method is explicitly stated in Bank Indonesia Regulation Number 13/1/PBI/2011 concerning the assessment of the soundness of banks. The RGEC method is a combination of measurements of 4 indicators in determining whether a bank is healthy or not, namely risk profile (risk factor), good corporate governance (business governance), earnings (profitability), and capital (capital ratio) (Alvionita, 2016).

RGEC method is considered more appropriate in representing the soundness of a bank because various aspects are also measured, such as management. This is due to the presence of different measuring instruments. For example, in the CAMELS method, the management aspect, which aims to evaluate managerial ability in managing and running a business, is measured by a quantitative approach,

namely by using the Net Profit Margin ratio, so that it does not fully represent managerial ability. Meanwhile, in the RGEC approach, the management aspect is measured by a qualitative assessment method, namely the Good Corporate Government assessment, so that they can evaluate management performance more broadly and not be fixated on numbers alone.

Several previous studies have tested the impact of the Covid-19 Pandemic on Islamic banking, as can be found in research by (Candera et al., 2021; Salsabilla et al., 2021; Wijayanti & Afifi, 2020). This research reveals the impact of the Pandemic on Islamic banks using different valuation methods. Some of these studies found empirical evidence of a decline in performance indicators of the soundness of Islamic banking, such as a decrease in the hands of risk-weighted assets, capital adequacy ratios, and interest income at Islamic banks in Bangladesh (Barua & Barua, 2021). (Salsabilla et al., 2021) Prove that the performance of return on assets declined sharply in the Islamic banking industry. However, studies by (Candera et al., 2021; Wijayanti & Afifi, 2020) state that the Pandemic does not have much impact on the risk profile of Islamic banks, profitability, and governance practices to capital.

If looked more closely, most of the previous studies prefer using financial ratios to assess the performance and health of Islamic banks during the Covid-19 Pandemic. Previous research is still very limited in using the RGEC assessment method to reveal the soundness of Islamic banks during the Pandemic. For this reason, this study will try to complement previous research that has been carried out by utilizing the RGEC method in assessing the soundness of Islamic banks during the Pandemic. It is hoped that the RGEC assessment method will obtain more comprehensive research results in assessing the soundness of Islamic banks.

This paper answers the question of this debate explicitly, namely whether it is true that the Covid-19 Pandemic has had a worse impact on the soundness of Islamic banking in Indonesia or has it not had an impact at all due to the nature of its business. This study will describe descriptively how the soundness of Islamic banking before and during the covid-19 Pandemic is assessed from the risk profile (non-performing financing and financing to deposit ratio); business governance (good corporate governance); profitability performance (return on assets); and capital (capital adequacy ratio). In addition, with the help of a statistical t-test, this study also aims to find out how the level of change in each assessment indicator is so that it can be seen the difference in the soundness of Islamic banks before and during the covid-19 Pandemic.

RESEARCH METHODS

The type of this research is quantitative because the data used are in the form of numbers that can be processed through specific analytical techniques to produce answers to the proposed hypotheses. Meanwhile, this research approach uses a comparative approach or comparative study. This is because this research was

conducted by comparing the health level of Islamic banks before and during the covid-19 Pandemic in Indonesia.

The population in this study were all Islamic banking companies in Indonesia, with a total of 14 companies. Meanwhile, the sampling technique used the purposive sampling technique, using the following three criteria:

1. Islamic banking officially operates in Indonesia in the period 2019 and 2020.
2. Islamic banking consistently presents annual reports on the company's website from 2019 to 2020.
3. Islamic banking has an annual report with the data needed in this study.

Using these three criteria, the steps in determining the sample and unit of analysis are presented in Table 2 as follows:

Table 2. Determination of the research sample

No	Research sample criteria	Quantity
1.	Islamic banking officially operates in Indonesia in the period 2019 and 2020.	14
2.	Islamic banking does not consistently present annual reports on the company's website from 2019 to 2020	(2)
3.	Islamic banking does not have an annual report with the data needed in this study	(0)
Total of research samples		12

Source: Secondary data 2021, processed.

Based on the information in table 2, it can be seen that the number of Islamic banks officially operating in Indonesia until 2020 in 14 companies. A total of 2 companies were inconsistent in reporting their financial statements on the company's website, so they had to be excluded from the sample. With this calculation, the number of samples in this study was determined to be as many as 12 companies.

In this study, documentation techniques were used in the data collection process. This is because the data was obtained by downloading the annual reports of Islamic banking for the 2019 and 2020 periods on the websites of each company. After the data is received, the next process is to calculate each indicator of the health assessment of Islamic banks according to the measurements used with the help of Microsoft Excel. After obtaining data in the form of numbers, then the data will be processed and analyzed further.

The data analysis technique used in this study consisted of two types, namely descriptive statistical analysis and independent t-test. Descriptive statistical analysis will be used to describe the soundness of Islamic banks assessed from 4 assessment indicators before and during the covid-19 Pandemic. Meanwhile, an independent t-test was conducted to determine whether there were differences in the 4 indicators for assessing the soundness of Islamic banking before and during the covid-19 Pandemic. Before conducting an independent t-test, each indicator of

the soundness level of Islamic banks will first go through a normality test. Suppose the data of each indicator is declared normal. In that case, a statistical parameter test using the independent t-test. At the same time, if the data is not standard, then the test will be carried out using a statistical non-parameter test using the Wilcoxon signed-rank test method.

RESULTS AND DISCUSSION

Financing Risk Descriptive Statistic Analysis Result

Bank Indonesia has set a minimum standard of NPF ratio that must be maintained by Islamic banking with the following criteria:

Table 3. Risk Profile Rating Criteria Matrix (NPF)

Rank	Predicate	Criteria
1	Very healthy	$NPF < 2\%$
2	Healthy	$2\% \leq NPF < 5\%$
3	Healthy enough	$5\% \leq NPF < 8\%$
4	Unhealthy	$8\% \leq NPF < 12\%$
5	Not healthy	$NPF \geq 12\%$

Source: (Bank Indonesia Form Letter Number 13/24/DPNP/2011, 2011)

The following are descriptive statistical analysis results for financing risk measured by NPF numbers before and during the covid-19 Pandemic.

Table 4. Results of Descriptive Statistical Analysis of Financing Risk (%NPF)

Bank	Before	Predicate	During	Predicate	Up/Down
Aceh Sharia	1.29	Very healthy	1.53	Very healthy	18.6%
NTB Sharia	1.36	Very healthy	1.26	Very healthy	-7.35%
Victoria Sharia	3.94	Healthy	4.73	Healthy	20.05%
BCA Sharia	0.58	Very healthy	0.5	Very healthy	-13.79%
BJB Sharia	3.54	Healthy	5.28	Healthy	49.15%
				enough	
BNI Sharia	3.33	Healthy	3.38	Healthy	1.5%
BRI Sharia	3.38	Healthy	1.77	Very healthy	-47.63%
BTPN Sharia	1.36	Very healthy	1.91	Very healthy	40.44%
Mega Sharia	1.72	Very healthy	1.69	Very healthy	-1.74%
Muamalat Bank	4.3	Healthy	3.95	Healthy	-8.14%
Panin Dubai Sharia	3.81	Healthy	3.38	Healthy	-11.28%
Sharia Bukopin	5.89	Healthy enough	7.49	Healthy enough	27.16%
Average	2.875	Healthy	3.027	Healthy	6.87%

Source: Secondary data 2021, processed

Based on the analysis results in table 4 above, the average NPF number before and during the covid-19 Pandemic in 2019 and 2020 was still in the healthy

category, despite an increase of 6.87%. The average predicate of Islamic banking NPF is also classified as healthy and very healthy, although six companies are experiencing relatively high NPF growth.

Liquidity Risk Descriptive Statistic Analysis Result

Based on the form letter of Bank Indonesia, Islamic banks can be categorized to be healthy and Unhealthy if they meet one of the FDR criteria with the following provisions:

Table 5. Risk Profile Rating Criteria Matrix (FDR)

Rank	Predicate	Criteria
1	Very healthy	$FDR < 75\%$
2	Healthy	$75\% \leq FDR < 85\%$
3	Healthy enough	$85\% \leq FDR < 100\%$
4	Unhealthy	$100\% \leq FDR < 120\%$
5	Not healthy	$FDR \geq 120\%$

Source: (Bank Indonesia Form Letter Number 13/24/DPNP/2011, 2011)

The following are descriptive statistical analysis results for liquidity risk measured by FDR numbers before and during the covid-19 Pandemic.

Table 6. Results of Descriptive Statistical Analysis of Liquidity Risk (%FDR)

Bank	Before	Predicate	During	Predicate	Up/Down
Aceh Sharia	68.64	Very healthy	70.82	Very healthy	3.17%
NTB Sharia	81.89	Healthy	86.53	Healthy	5.67%
Victoria Sharia	80.52	Healthy	74.05	Very healthy	-8.03%
BCA Sharia	91.00	Healthy enough	81.3	Healthy	-10.66%
BJB Sharia	93.53	Healthy enough	86.64	Healthy	-7.37%
BNI Sharia	74.31	Very healthy	68.79	Very healthy	-7.43%
BRI Sharia	80.12	Healthy	80.99	Healthy	1.09%
BTPN Sharia	95.27	Healthy enough	97.37	Healthy enough	2.2%
Mega Sharia	94.53	Healthy enough	63.94	Very healthy	-32.36%
Muamalat Bank	73.51	Very healthy	69.84	Very healthy	-4.99%
Panin Dubai Sharia	95.72	Healthy enough	111.71	Unhealthy	16.7%
Sharia Bukopin	93.48	Healthy enough	196.73	Not Healthy	110.45%
Average	85.21	Healthy enough	90.73	Healthy enough	6.47%

Source: Secondary data 2021, processed

The results of descriptive statistical analysis for liquidity risk measured by FDR prove that the average FDR figure before and during the covid-19 Pandemic

is in the healthy enough category. However, there is an increase of 6.47%. Most of the predicate FDR numbers before the Covid-19 Pandemic in 2019 were relatively healthy with 6 companies, while the liquidity risk predicate during the covid-19 Pandemic in 2020 was more diverse with a total of 5 companies with very healthy ratings. A total of 6 companies experienced an increase in FDR with quite various numbers.

Good Corporate Governance Descriptive Statistic Analysis Result

Meanwhile, to assess whether or not the implementation of GCG in Islamic banking is good, Bank Indonesia has established an assessment matrix based on a composite rating, which is as follows:

Table 7. GCG Rating Criteria Matrix

Rank	Predicate	Criteria
1	Very healthy	Composite Value 1
2	Healthy	Composite Value 2
3	Healthy enough	Composite Value 3
4	Unhealthy	Composite Value 4
5	Not healthy	Composite Value 5

Source: (Financial Services Authority Letter Number 10/SEOJK.03/2014, 2014)

The results of descriptive statistical analysis for assessing good corporate governance are summarized in table 8 as follows.

Table 8. GCG Descriptive Statistical Analysis Result

Bank	Before	Predicate	During	Predicate	Up/Down
Aceh Sharia	2	Healthy	2	Healthy	Stagnant
NTB Sharia	2	Healthy	2	Healthy	Stagnant
Victoria Sharia	2	Healthy	2	Healthy	Stagnant
BCA Sharia	1	Very healthy	1	Very healthy	Stagnant
BJB Sharia	3	Healthy enough	3	Healthy enough	Stagnant
BNI Sharia	2	Healthy	2	Healthy	Stagnant
BRI Sharia	2	Healthy	2	Healthy	Stagnant
BTPN Sharia	2	Healthy	2	Healthy	Stagnant
Mega Sharia	2	Healthy	2	Healthy	Stagnant
Muamalat Bank	3	Healthy enough	3	Healthy enough	Stagnant
Panin Dubai Sharia	2	Healthy	2	Healthy	Stagnant
Sharia Bukopin	3	Healthy enough	3	Healthy enough	Stagnant
Average		Healthy		Healthy	

Source: Secondary data 2021, processed

Based on the results of descriptive statistical analysis for the assessment of GCG implementation, most companies held the predicate of being healthy both before and during the covid-19 Pandemic, with a total of 8 companies. Meanwhile, in the table above, it can also be concluded that there were no significant changes in the assessment of GCG implementation before and during the covid-19 Pandemic because all companies did not experience an increase or decrease in the GCG composite rating.

Profitability Performance Descriptive Statistic Analysis Result

According to Bank Indonesia regulations, Islamic banks can be categorized to be healthy if they meet the requirements for obtaining ROA as follows:

Table 9. Earning Rating (ROA) Criteria Matrix

Rank	Predicate	Criteria
1	Very healthy	$ROA > 1,450\%$
2	Healthy	$1,215\% < ROA \leq 1,450\%$
3	Healthy enough	$0,999\% < ROA \leq 1,215\%$
4	Unhealthy	$0,765\% < ROA \leq 0,999\%$
5	Not healthy	$ROA \leq 0,765\%$

Source: (Financial Services Authority Letter Number 28 /SEOJK.03/2019, 2019)

The following is a table that informs the performance of Islamic banking profitability before and during the covid-19 Pandemic as measured using ROA.

Table 10. Results of Descriptive Statistical Analysis of Profitability Performance (%ROA)

Bank	Before	Predicate	During	Predicate	Up/Down
Aceh Sharia	2.33	Very healthy	1.73	Very healthy	-25.75%
NTB Sharia	2.56	Very healthy	1.74	Very healthy	-32.03%
Victoria Sharia	0.05	Not healthy	0.16	Not healthy	220%
BCA Sharia	1.2	Healthy enough	1.1	Healthy enough	-8.3%
BJB Sharia	0.6	Not Healthy	0.41	Not healthy	-31.67%
BNI Sharia	1.82	Very healthy	1.33	Healthy	-26.92%
BRI Sharia	0.31	Not healthy	0.81	Unhealthy	161.29%
BTPN Sharia	13.58	Very healthy	7.16	Very healthy	-47.27%
Mega Sharia	0.89	Unhealthy	1.74	Very healthy	95.5%
Muamalat Bank	0.05	Not healthy	0.03	Not healthy	-40%
Panin Dubai Sharia	0.25	Not healthy	0.06	Not healthy	-76%
Sharia Bukopin	0.04	Not healthy	0.04	Not healthy	0%
Average	1.97	Very healthy	1.36	Healthy	-31.12%

Source: Secondary data 2021, processed

Based on the results of the descriptive statistical analysis of profitability performance in table 10 above, it shows that although the average profitability predicate before and during the Covid-19 Pandemic was very healthy and healthy, this was due to the dominance of one of the banks that contributed relatively high to the ROA figure, namely Bank BTPN Syariah. In fact, before the Pandemic, 7 companies had the title unhealthy and very unhealthy. Meanwhile, during the Pandemic, 6 companies had a ROA with the predicate of unhealthy and very unhealthy. Meanwhile, 8 companies experienced a decline in ROA after the Pandemic with quite various numbers.

Capital Performance Descriptive Statistic Analysis Result

Islamic banks can be categorized to be healthy if they meet the minimum standard for the amount of capital determined by the following criteria:

Table 11. Matrix of Criteria for Capital Rating (CAR)

Rank	Predicate	Criteria
1	Very healthy	$CAR \geq 15\%$
2	Healthy	$13,5\% \leq CAR < 15\%$
3	Healthy enough	$12\% \leq CAR < 13,5\%$
4	Unhealthy	$8\% \leq CAR < 12\%$
5	Not healthy	$CAR < 8\%$

Source: (Financial Services Authority Letter Number 28 /SEOJK.03/2019, 2019)

The following are the results of descriptive statistical analysis for capital performance before and during the covid-19 Pandemic as measured using the CAR.

Table 12. Results of Descriptive Statistical Analysis of Capital Performance (%CAR)

Bank	Before	Predicate	During	Predicate	Up/Down
Aceh Sharia	18.9	Very healthy	18.6	Very healthy	-1.56%
NTB Sharia	35.47	Very healthy	31.6	Very healthy	-10.91%
Victoria Sharia	19.44	Very healthy	26.08	Very healthy	34.16%
BCA Sharia	38.3	Very healthy	45.3	Very healthy	18.28%
BJB Sharia	14.95	Healthy	24.14	Very healthy	61.47%
BNI Sharia	18.88	Very healthy	21.36	Very healthy	13.13%
BRI Sharia	25.26	Very healthy	19.04	Very healthy	-24.62%
BTPN Sharia	44.57	Very healthy	49.44	Very healthy	10.27%
Mega Sharia	19.96	Very healthy	24.15	Very healthy	20.99%
Muamalat Bank	12.42	Healthy enough	15.21	Very healthy	22.46%
Panin Dubai Sharia	14.46	Healthy	31.43	Very healthy	117.36%
Sharia Bukopin	15.25	Very healthy	22.22	Very healthy	45.7%
Average	23.15	Very healthy	27.38	Very healthy	18.25%

Source: Secondary data 2021, processed

The results of the descriptive statistical analysis for capital performance contained in table 12 explain that the average capital adequacy of all companies is in the very healthy category both before and during the covid-19 Pandemic. 9 companies experienced an increase in the capital adequacy ratio by various percentages, while the other 3 companies experienced a decrease during the covid-19 Pandemic.

Normality Test Results

The normality test was carried out using the Shapiro Wilk method which aims as a reference in determining the independent t-test methods to be used. The basis for decision making is if the significance value is < 0.05 , then the difference test is carried out using parametric statistics with the independent t-test method. Meanwhile, if the significance value is > 0.05 , then the independent t-test is carried out using the Wilcoxon sign ranked test method. The results of the normality test for each indicator are presented in the table below.

Table 13. Normality Test of Each Indicator

Indicator	Sign Shapiro Wilk	Independent t-test Will Do
Before NPF	0.354	Independent t-test
During NPF	0.306	
Before FDR	0.042	Wilcoxon sign rank-test
During FDR	0.000	
Before GCG	0.003	Wilcoxon sign rank-test
During GCG	0.003	
Before ROA	0.000	Wilcoxon sign rank-test
During ROA	0.000	
Before CAR	0.026	Wilcoxon sign rank-test
During CAR	0.047	

Source: Secondary data 2021, processed

Independent t-test Results

After the normality test has been carried out on each of the indicators for assessing the soundness of the bank, the next step is to perform an independent t-test. Independent t-tests performed depend on the normality of the data. If the data is normal, then the independent t-tests that can be done can use the independent t-test, and if the data does not pass the normality test, it can be done with the alternative Wilcoxon signed-rank test. The basis for decision-making is if the significance value is < 0.05 , then there is a significant difference in the indicators for assessing the soundness of Islamic banks before and during the covid-19 Pandemic and vice versa. The following are the results of the independent t-tests on each indicator.

Table 14. Independent t-test Result of Each Indicator

Indicator	Method	Sign	Decision
Before NPF_During NPF	Independent t-test	0.466	Not significant
Before FDR_During FDR	Wilcoxon sign rank-test	0.638	Not significant
Before GCG_During GCG	Wilcoxon sign rank-test	1.000	Not significant
Before ROA_During ROA	Wilcoxon sign rank-test	0.248	Not significant
Before CAR_During CAR	Wilcoxon sign rank-test	0.034	Significant

Source: Secondary data 2021, processed

DISCUSSION

The results of the independent t-tests on each indicator of the soundness of Islamic banking using the RGEC method prove that only the capital factor has a significant difference in the direction of increase. Meanwhile, other indicators did not experience significant differences. This proves that, in general, Islamic banking can survive amid the turmoil of the Pandemic that has not subsided. The results of this study agree with the research of (Candera et al., 2021)(Wijayanti & Afifi, 2020). (Candera et al., 2021) found no significant difference in the financial performance of Islamic banking, such as risk profile, income, and capital. The research also obtained the same results (Wijayanti & Afifi, 2020). Using a quantitative descriptive approach with the RGEC assessment method, (Wijayanti & Afifi, 2020) conclude that the risk profile, GCG, income, and capital in Islamic banking are the healthy and very healthy categories.

Based on Agency Theory, the directors in the company, which in this case are Islamic banking (agents) are fully responsible for the sustainability of the company rather than the shareholders (principals) (Lestari & Wirakusuma, 2018). Even though the COVID-19 Pandemic has changed the structure of the country's economy, agents are still trying their best to improve the health of Islamic banking to achieve the interests of shareholders (principals). This effort was taken based on a decision to obtain a reward in exchange for the agent's achievements. Making the right decisions will get maximum results reflected in the resulting financial ratios. The agency theory in this study explains how Islamic banking managers as agents will make the right decisions to maximize banking health, even during difficult situations such as a pandemic. This is done by managers in the hope of creating added value for shareholders so that managers receive compensation for their achievements.

Based on the results of the independent t-tests, the indicator of financing risk is measured by non-performing financing (NPF) did not experience significant differences before and during the covid-19 Pandemic. Nevertheless, there was an increase in the average number of NPFs, which was quite high, namely 6.87%. In addition, there is one company, namely BJB Sharia, which has decreased its ranking from a very healthy rating in the 2019 period to quite healthy in 2020, and there is one company that has increased its rating, namely BRI Sharia from a healthy rating in 2019 to a very healthy rating in 2020. Meanwhile, 10 other companies stagnate.

This proves that although there is an increase in the NPF ratio, the impact does not affect the health and stability of Islamic banks so that these risks can be controlled.

Meanwhile, based on the results of the different liquidity risk tests as measured by the FDR number, there was also no significant difference before and during the covid-19 Pandemic. Similar to financing risk, the average liquidity risk also increased by 6.47% from the previous year. Sharia Bukopin is the only bank that has experienced a negative impact as a result of the Covid-19 Pandemic due to the rapid increase in the FDR rate of 110.45% which requires the FDR of the bank to be unhealthy. Nevertheless, 6 companies experienced a decrease in FDR figures and 5 companies with a tolerable increase. This is what drives the FDR rate that can still be controlled by Islamic banking.

The practice of implementing GCG in Islamic banking also did not experience significant differences before and during the covid-19 Pandemic. All companies managed to maintain their rankings despite the ongoing Pandemic. This implies that the company will continue to implement GCG to strengthen the company resilience in the event of a financial crisis caused by the Pandemic

The practice of implementing GCG in Islamic banking also did not experience significant differences before and during the covid-19 Pandemic. All companies managed to maintain their rankings despite the ongoing Pandemic. This implies that the company will continue to implement GCG to strengthen the company resilience in the event of a financial crisis caused by the Pandemic.

Profitability performance as measured by ROA also did not experience a significant difference. Although overall, the average ROA decreased by 31.12%, the impact is not so worrying for the company. Three companies even experienced significant ROA growth, although 8 other companies experienced a decline. Unfortunately, there are 5 companies with an unhealthy ROA rating during the Pandemic. However, this was due more to the performance in the previous year so there was no significant difference. The ROA performance which decreased during the Pandemic seemed to mean that Islamic banking also received the same impact as other sectors as a result of the Pandemic, although the effect was not too significant.

Based on the results of the independent t-test, the capital indicator is the only indicator that experiences a significant difference. This difference was recorded in a positive direction in line with the increase in CAR in 9 companies. This resulted in the average CAR figure rising quite high by 18.25% during the Pandemic. 2 companies experienced an increase in their rating to very healthy during the Pandemic, while 10 other companies managed to maintain a very healthy rating from the previous period. This increase in CAR is due to banks that are members of State-Owned Enterprises (BUMN) depositing large amounts of capital to Islamic banks with relatively low financing amounts. This is intended so that Islamic banks can survive the Pandemic by having a sufficient capital ratio.

CONCLUSION

This study concludes that only the capital indicator (CAR) has a significant difference with an increasing pattern. In contrast, other indicators such as (NPF, FDR GCG, and ROA) did not have significant differences before and during the pandemic. Based on these findings, the government needs to continue to maintain the strengthening of Islamic banking capital by providing capital to companies. Meanwhile, for Islamic banking, conducting a merger or business merger can be an alternative to reduce the negative impact of the pandemic crisis. This research has some limitations which can be an opportunity for similar research in the future. First, the RGEC method does not fully assess the bank's health aspect because the assessment tends to be quantitative. Therefore, further research can add qualitative aspects to improve the measurement of bank soundness. Second, further research can increase the research period. Third, further research can also conduct a combination of research by comparing the health of banks with conventional banks and Islamic banks.

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