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COMPARISON OF THE HEALTH LEVEL OF SHARIA BANKING WITH CONVENTIONAL BANKING BEFORE AND DURING THE COVID-19 PANDEMIC IN INDONESIA WITH THE RISK BASED BANK RATING METHOD APPROACH

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***Abstrak**: Penelitian ini mengkaji dan menyajikan model perbandingan tingkat kesehatan perbankan syariah dengan perbankan konvensional sebelum dan selama pandemic covid-19 di Indoensia dengan pendekatan risk based bank rating method (Studi Empiris Pada Bank Umum yang Terdaftar di OJK). Penelitian ini menggunakan analisis uji paired sample t-test dengan menggunakan data time series. Data yang diperoleh yaitu 10 perusahaan perbankan syariah dan 10 perusahaan perbankan konvensional yang terdafrat di OJK pada tahun 2018 - 2021 dengan metode purposive sampling. Hasil dari penelitian ini menunjukkan bahwa tidak terdapat perbedaan yang signifikan pada nilai NPF/NPL, ROA, CAR, GCG Tahun 2018 dan 2019, ROA, CAR Tahun 2020, NPF/NPL, ROA, dan CAR Tahun 2021 antara Bank Umum Syariah dan NPL Bank Umum Konvensional. Sedangkan, NPF/NPL, GCG Tahun 2020 dan GCG Tahun 2021 terdapat perbedaan yang signifikan antara Bank Umum Syariah dan Bank Umum Konvensional. Implikasi dari penelitian ini menunjukkan bahwa meskipun kedua sektor memiliki ketahanan modal yang setara, bank konvensional memiliki keunggulan dalam konsistensi tata kelola dan pengelolaan risiko aset selama krisis. Temuan ini menekankan pentingnya akselerasi digitalisasi dan penguatan efisiensi operasional bagi perbankan syariah guna meningkatkan daya saing dan jangkauan pasar di masa depan.*

***Kata kunci:** Bank Umum Syariah, Bank Umum Konvensional, Pandemic Covid-19, Tingkat Kesehatan, Risk Based Rating*

***Abstract:** This study examines and presents a comparison model of the health level of Islamic banking with conventional banking before and during the Covid-19 pandemic in Indonesia with a risk-based bank rating method approach (Empirical Study on Commercial Banks Registered with OJK. This study used paired* *sample t-test analysis using time series data. The data obtained are 10 Islamic banking companies and 10 conventional banking companies registered at OJK in 2018 - 2021 using the purposive sampling method. The results of this study show that there is no significant difference in the value of NPF/NPL, ROA, CAR, GCG in 2018 and 2019, ROA, CAR in 2020, NPF/NPL, ROA, and CAR in 2021 between Sharia Commercial Banks and NPLs of Conventional Commercial Banks. Meanwhile, NPF/NPL, GCG in 2020 and GCG in 2021 there are significant differences between Sharia Commercial Banks and Conventional Commercial Banks. The implications of this research suggest that while both sectors maintain comparable capital resilience, conventional banks exhibit superior consistency in corporate governance and asset risk management during crises. These findings emphasize the importance of accelerating digitalization and strengthening operational efficiency for sharia banking to enhance future competitiveness and market reach.*

Keywords: *Sharia Commercial Bank, Conventional Commercial Bank, Covid-19 Pandemic, Health Level, Risk Based Rating.*

Introduction

With such a rapid and massive spread, COVID-19 has turned into a separate urgency that has attracted enough attention on a global scale. Based on data from the COVID-19 task force, as of April 5, 2023, in the Southeast Asian region, there are 60,798,293 people confirmed positive and 804,049 of them have died. Indonesia is not spared from the impact of the COVID-19 pandemic, around 6,748,973. People who were confirmed positive for COVID-19 included around 6,581,989, confirmed to have recovered and the remaining 161,039 died (covid19.go.id).

Based on the data that has been submitted, the rate of spread of Covid-19 in Indonesia is quite high when compared to the data on the spread of Covid-19 in Southeast Asia. Indonesia accounts for around 11.10% of the total confirmed active COVID-19 cases in Southeast Asia, 10.97% of the total confirmed recovered COVID-19 cases, and 20.03% of the total confirmed deaths of COVID-19 cases. This is a bad precedent for Indonesia in controlling the Covid-19 outbreak itself. In response to this, until now, the Indonesian government has issued various policies to reduce the rate of spread of Covid-19 itself. Starting from the implementation of work from home for office employees/employees who are possible, implementing social distancing and physical distancing, to the imposition of large-scale social restrictions in several areas with a high rate of spread. On the one hand, of course, this policy is very effective in maintaining the rate of spread of Covid-19, but on the other hand, the implementation of this policy can have an impact on the rate of economic growth in Indonesia. One of the industrial sectors affected by the pandemic is the banking industry.

The OJK Institute Research Team (OJK Institute, 2021) stated that banking credit declined during the Covid-19 pandemic. The declining demand for funding sources is shown by a decrease in the realization of the amount of credit channeled to the business and household sectors. In the fourth month of 2020, credit growth was 5.82%, decreasing by 2.24% (yoy) from the previous month. Credit growth also decreased compared to April of the previous year by 11.12 percent. During 2020, credit growth continued to decline until January 2021 to minus 1.90 percent. Along with this, Bank Indonesia's 7-day repo rate (BI's benchmark interest rate) decreased by 125 bps. The interest rate reduction should be followed by an increase in the number of loans because people can borrow money at a cheaper price. However, the decline in BI's benchmark interest rate is not accompanied by an increase in credit demand, or an anomaly.

One of the causes of the decline in credit/financing is credit crunch, a condition in which banks are reluctant to distribute credit which can be caused by an estimated increase in credit risk in the future and a reduction in bank capital from the ideal amount. Banks seem to be very careful to distribute credit to the public during the pandemic because there is a high risk of default that occurs to its customers. Such conditions can cause a domino effect on the health level of banks, where banks that are reluctant to distribute their loans/financing are highly dependent on other revenue posts outside their main data collection posts.

The above conditions are supported by negative bank credit growth at the end of February 2021 since June 2020. This is due to the fact that the amount of banking LAR (Loan at Risk) reached the range of Rp1,200 trillion. The LAR figure includes LAR before the covid-19 pandemic and after the covid-19 pandemic, the number of LAR is more due to the crisis due to the covid-19 pandemic that occurred. The portion of LAR has reached around 25% of total banking loans, so this LAR will have the potential to become NPL/NPF in banking (infobanknews.com). Meanwhile, the position of Third Party Funds (DPK) at the end of December 2021 reached IDR 7,479 trillion, an increase of 12.21% compared to the same period the previous year. The Loan to Deposit Ratio (LDR) of national banks in December 2021 was 77.13%. Down from the November 2021 position of 77.9%. Although credit has grown, but deposits have grown higher, there is a gap between credit growth and deposits (cnbcindonesia.com).

The phenomenon of the credit crunch and the anomaly in interest rate transmission in Indonesia highlights a severe disruption in the banking intermediation mechanism. Given that the Indonesian banking sector operates under a dual banking system, it is imperative to examine how the fundamental differences between conventional and Islamic banks influence their response to this crisis.

The urgency of this comparison lies in the fundamental differences in risk management; while conventional banks struggled with an ineffective transmission of the 125 bps reduction in Bank Indonesia's benchmark interest rate to boost credit demand, Islamic banks possess a profit-sharing mechanism that is theoretically more adaptive to real-sector economic fluctuations. With Indonesia's COVID-19 mortality rate reaching 20.03% of the total cases in Southeast Asia, pressure on bank soundness became inevitable. Therefore, research comparing the performance of both banking models before and during the pandemic is crucial to measure which business model is more resilient in mitigating the domino effect of the crisis, particularly when national credit growth contracted to minus 1.90 percent in early 2021. This analysis will not only reveal the operational efficiency of each bank but also provide insight into which institution functioned more effectively in its intermediation role amidst massive social restriction policies.

Fakhri in 2021 in his research showed that Islamic banking is more vulnerable than conventional banking in facing financial crises. This is in line with the growth of Islamic banking which is far behind conventional banking, unstable market conditions, and trust issues in Islamic banking make it vulnerable to facing a financial crisis.

Wijana and Wdnyana in 2022 in their research stated that Islamic banking outperformed conventional banking, both before and during the Covid-19 pandemic. The Covid-19 pandemic has shaken conventional banking indicators and only slightly shaken Islamic banking. However, it does not mean that Islamic banks are superior to conventional banks because they are both shaken, it's just that conventional banks experience a greater shock than Islamic banks.

Based on the background and previous research that shows inconsistencies, where there is research that states that Islamic banking is better than conventional banks and vice versa, the author wants to research on the Comparison of the Health Level of Islamic Banking and Conventional Banking Before and During the Covid-19 Pandemic.

Literature review

Bank

Based on RI Law No. 10 of 1998 concerning banking, banking is everything related to banks, including institutions, business activities and methods and processes in carrying out business activities. Meanwhile, a bank is a business entity that collects funds from the community in the form of deposits and distributes them to the community in the form of credit and or other forms in order to improve the standard of living of many people. According to Subagio, et al. in the book Banks and Other Financial Institutions (2013:135) define a bank as a business entity whose main activity is to receive deposits from the public and/or other parties, then reallocate them to obtain profits and provide services in payment traffic.

Sharia Bank

In Law No. 21 of 2008 concerning Sharia Banking, the definition of Islamic banking and

Definition of Islamic Bank. Sharia banking is everything related to Islamic banks and Islamic business units, including institutions, including business activities, as well as procedures and processes in carrying out their business activities. Sharia banks are banks that carry out their business activities based on sharia principles and according to their type, sharia banks consist of BUS (Sharia Commercial Bank), UUS (Sharia Business Unit) and BPRS (Sharia People's Financing Bank) (Andrianto & Firmansyah, 2019).

Bank Health Level

According to Bank Indonesia Regulation Number: 10/1/PBI/2004 Article 1 paragraph 4, the definition of a bank's health level is the result of a qualitative assessment of various aspects that affect the condition or performance of a bank through Quantitative Assessment and/or Qualitative Assessment of capital factors, asset quality, management, profitability, liquidity, and sensitivity to market risk. The assessment of these factors is mentioned in Bank Indonesia Regulation NUMBER: 10/1/PBI/2004 Article 4.

Conventional Bank Soundness Standards

According to **OJK Institute (2021)**, the soundness level of conventional banks is generally measured using a Risk-based Bank Rating approach. The main focus of this assessment includes:

- **Risk Profile**: Assessing inherent risks and the quality of risk management implementation regarding bank operations.
- **Good Corporate Governance**: Evaluating the bank's compliance with the principles of transparency, accountability, and professionalism.

- **Earnings**: Measuring the bank's ability to generate profit to support expansion and strengthen capital, especially when facing economic pressures such as a pandemic.
- **Capital**: Assessing the adequacy of bank capital in anticipating potential losses, specifically to avoid *credit crunch* conditions due to an estimated increase in future credit risk.

Islamic Bank Soundness Standards

Although operating within the same banking system, Islamic banks have soundness standards that include *sharia compliance* aspects in addition to general financial indicators. The primary differences include:

- **Profit-Sharing Mechanism**: Unlike conventional banks that use benchmark interest rates, such as the BI 7-day repo rate, Islamic banks utilize profit-sharing principles that are theoretically more adaptive to real fluctuations.
- **Earning Assets**: According to **OJK Institute (2021)**, the assessment of asset quality in Islamic banks focuses on financing channeled to business sectors without containing *ribawi* (usury) elements.
- **Business Model Resilience**: The soundness of an Islamic bank is also viewed through its ability to avoid over-reliance on revenue posts outside their main intermediation function during a contraction in financing distribution.

Bank Health Analysis with Risk Based Bank Rating Method

Based on Article 2 of Bank Indonesia Regulation No. 13/1/PBI/2011, it is stated that banks are required to assess the health level of banks using a risko approach (Risk Based Bank Rating) either individually or consolidated. Basically, as explained in SE BI No. 13/24/DPNP 25 October 2011, the RBBR method emphasizes the consideration of the health of commercial banks based on the principles of prudence and risk management.

The level of bank soundness is not merely viewed as compliance with regulatory standards but is also grounded in various theoretical frameworks that explain the behavior of financial institutions when facing economic shocks:

- **Financial Intermediation Theory**: According to **Scholtens and van Wensveen (2003)**, the primary function of banking institutions is to serve as efficient intermediaries that minimize transaction costs and information asymmetry between surplus and deficit parties. In the context of the pandemic, **OJK Institute (2021)** notes that bank soundness is tested through its ability to maintain this function amidst the *credit crunch* phenomenon that hinders credit distribution.
- **Agency Theory**: **Jensen and Meckling (1976)** explain that the soundness of a company, including banks, reflects the quality of governance in aligning the interests of managers (*agents*) and owners (*principals*). In crisis situations, sound risk management is required to suppress the risk of customer default, which increases due to restrictions on economic activity.
- **Signalling Theory**: **Spence (1973)** posits that companies provide specific information as a "signal" to the market to demonstrate their competitive advantage. Stable bank soundness reports

during the pandemic serve as a positive signal for the public to maintain trust in the national banking system.

- **Financial Resilience Theory**: **Diamond and Dybvig (1983)** emphasize the importance of liquidity and capital reserves as cushions against external shocks. This resilience becomes a crucial indicator of soundness when national credit growth contracted to **minus 1.90 percent** in early 2021, as reported by the **OJK Institute (2021)**.

Method

This research is a quantitative research that uses numbers as a tool to collect information. Quantitative research emphasizes obvious phenomena to maximize objectivity. Quantitative research includes any type of investigation that is based on calculations such as percentages and averages. This study uses numbers, statistical analysis, structure, and controlled tests (Moleong, 2007).

The parameters used as the object in this study are the Good Corporate Governance (GCG) ratio, Return on Asset (ROA), Non-Performing Loan (NPL)/Non-Performing Financing (NPF), Capital Adequacy Ratio (CAR). Data from these parameters is obtained from the annual financial reports of banks uploaded on the OJK website and other banking websites.

The population of this study is in the form of all Commercial Bank Companies that have been registered with the OJK. The sampling technique uses purposive sampling, in this case the sample is taken not randomly with certain criteria that are usually adjusted to the problem and research objectives. This method of purposive sampling takes samples from the population based on available data.

Data processing uses SPSS software to analyze the bank's health condition so that it can produce information that will be drawn as a conclusion. The use of SPSS (*Statistical Package for the Social Sciences*) provides significant added value in managing the complexity of banking data during crisis periods:

- **Standardized Statistical Procedures**: According to **Field (2013)**, SPSS minimizes human error through standardized statistical procedures.
- **Handling Banking Anomalies**: SPSS possesses high precision in detecting data anomalies.
- **Comparative Analysis Efficiency**: The primary advantage of SPSS lies in its ability to perform comparative tests, such as the *Independent Sample T-Test* or *Mann-Whitney U*, to objectively compare the health standards of Islamic and conventional banks.
- **Clear Descriptive Output**: This software generates outputs that assist researchers in describing the health of both Islamic and conventional banks so that the standards of both bank types can be clearly understood by the reader.

Data calculation and analysis of research models are part of the data processing process. This study uses time series data to analyze it. A time series is the observation of one or several variables where they are taken sequentially at a constant time span (Wei, 2006). A series of multivariate times is one of several variables involved in his model. Time series data sometimes shows a relationship between one variable and another. The Paired Sample T-Test is used to see whether there is a significant comparison of the objects being studied, the use of this test is in line with research conducted by (Rahmawati & Yanti, 2019), (Surya & Asiyah, 2020) and (Nurafini, 2022).

Results

Descriptive Analysis of Research Objects

Health level of Sharia Banking in 2018 – 2021.

a. The health level of Sharia Banking in 2018 (Before the Covid-19 Pandemic).

   The health level of Islamic banking in 2018 can be said to be healthy, but there are records that occur in the ROA value of PT Bank Syariah Indonesia, PT Bank Muamalat Indonesia, PT Bank Panin Dubai Syariah, and PT Bank KB Bukopin Syariah which received the title of "Less Healthy"

b. The health level of Sharia Banking in 2019 (Before the Covid-19 Pandemic).

   The health level of Islamic banking in 2019 can be said to be healthy, but there are records that occur in the ROA value of PT Bank Syariah Indonesia Tbk, PT Bank Muamalat Indonesia Tbk, PT Bank Victoria Syariah, PT Bank Panin Dubai Syariah Tbk and PT Bank KB Bukopin Syariah which received the title of "Less Healthy".

c. Health level of Sharia Banking in 2020 (During the Covid-19 Pandemic).

   The health level of Islamic banking in 2020 can be said to be healthy, but there are records that occur in the ROA value, PT Bank Muamalat Indonesia Tbk, PT Bank Aladin Syariah Tbk, PT Bank Jabar Banten Syariah, PT Bank Victoria Syariah, PT Bank Panin Dubai Syariah

Tbk, PT Bank KB Bukopin Syariah, and PT Bank Tabungan Pensiunan Nasional Syariah Tbk which received the title of "Less Healthy".

d. The health level of Sharia Banking in 2021 (During the Covid-19 Pandemic Transition period).

   The health level of Islamic banking in 2021 can be said to be healthy, but there are records that occur in the ROA value, PT Bank Muamalat Indonesia Tbk, PT Bank Mega Syariah, PT Bank KB Bukopin Syariah, and PT Bank Tabungan Pensiunan Nasional Syariah Tbk which received the title of "Less Healthy". In 2021, there were 3 Sharia Commercial Banks recording ROA levels with the title of "Unhealthy", namely PT Bank Aladin Syariah Tbk, PT Bank Panin Dubai Syariah Tbk, and PT Bank KB Bukopin Syariah.

The health level of Conventional Banking in 2018 – 2021.

a. The health level of Conventional Banking in 2018 (Before the Covid-19 Pandemic).

   The health level of conventional banking in 2019 can be said to be healthy without the slightest record of the research sample that has been determined.

b. The health level of Conventional Banking in 2019 (Before the Covid-19 Pandemic).

   The health level of conventional banking in 2019 can be said to be healthy without the slightest record from the research sample that has been determined.

c. The health level of Conventional Banking in 2020 (During the Covid-19 Pandemic).

The health level of conventional banking in 2020 can be said to be healthy without the slightest record of the research sample that has been determined.

d. The health level of Conventional Banking in 2021 (During the Covid-19 Pandemic Transition period).

The health level of conventional banking in 2020 can be said to be healthy without the slightest record of the research sample that has been determined.

Statistical Test

In this study, the author conducted an analysis using Time Series data assisted by the SPSS 29 Program. The Paired Sample Test was carried out to show the significance of the difference between the 2 (two) data tested. The results can be seen in the Significance Two Sided p column, if the value is < (smaller) than 0.05 then there is a significant difference and vice versa if the value is > (greater) than 0.05 then there is no significant difference.

Table 1
Statistical test results

Year	Variable	Score
2018	NPF/NPL	0.347
	ROA	0.831
	CAR	0.495
	GCG	0.194
2019	NPF/NPL	0.283
	ROA	0.877
	CAR	0.335
	GCG	0.104
2020	NPF/NPL	0.046
	ROA	0.931
	CAR	0.276
	GCG	0.046
2021	NPF/NPL	0.256

Year	Variable	Score
	ROA	0.253
	CAR	0.274
	GCG	0.031

Discussion

a. Comparison of Health Levels of Sharia Commercial Banks and Conventional Commercial Banks in 2018 (before the Covid-19

Based on the results of the Paired Sample Test, it was found that there was no significant difference in the value of NPF/NPL, ROA, CAR and GCG between Sharia Commercial Banks and NPLs of Conventional Commercial Banks in 2018. Both types of banks in 2018 showed good performance. However, there is a record of unhealthy predicates on the ROA level in Islamic banking, where in the research sample there are several Islamic commercial banks that have unhealthy performance at their ROA level. This also reflects the condition of the banking segment which was still stable before the Covid-19 pandemic. Each bank can control their own health level with their own business strategies. The stable performance of both banking sectors before the pandemic serves as a "positive signal" to the market, as posited by **Spence (1973)**. This indicates that both systems were equally capable of maintaining public trust through sound financial indicators before the global crisis hit. According to Jensen and Meckling (1976), sound health levels reflect effective monitoring mechanisms. The lack of significant difference suggests that both Islamic and conventional banks in Indonesia had implemented comparable risk management and Good Corporate Governance (GCG) standards prior to 2020. These results are in line with research conducted by (Syamsul & Rosyada, 2022) and (Rahmawati & Yanti, 2019) that there is no significant difference in health level values between the two types of banking.

b. Comparison of the Health Level of Sharia Commercial Banks and Conventional Commercial Banks in 2019 (before the Covid 19 Pandemic).

Based on the results of the Paired Sample Test, it was found that there was no significant difference in the value of NPF/NPL, ROA, CAR and GCG between Sharia Commercial Banks and NPLs of Conventional Commercial Banks in 2019. Both types of banks in 2019 showed good performance. This also reflects the condition of the banking segment which was still stable before the Covid-19 pandemic. Each bank can control their own health level with their own business strategies. The good performance of both types of banks in 2019 serves as a "positive signal" provided by management to investors and customers. According to **Spence (1973)**, information regarding stable bank health functions to reduce information asymmetry and maintain public trust amidst the economic uncertainty that began to emerge at the end of that year. The equality in health levels reflects the success of monitoring mechanisms in both banking models. As explained by **Jensen and Meckling (1976)**, when Good Corporate Governance (GCG) functions effectively, bank managers tend to make decisions that align with the owners' interests to maintain capital stability and suppress credit risk. The ability of each bank to control its health level through its own business strategies indicates the presence of an adequate security "cushion". In accordance with the theory by **Diamond and Dybvig (1983)**, the availability of capital (CAR) and a maintained risk profile are keys to banking resilience before facing external pressures such as a pandemic.

These results are in line with research conducted by (Syamsul & Rosyada, 2022) and (Rahmawati & Yanti, 2019) that there is no significant difference in health level values between the two types of banking.

c. Comparison of the Health Level of Sharia Commercial Banks and Conventional Commercial Banks in 2020 (during the Covid 19 Pandemic).

Based on the results of the Paired Sample Test, it was found that there was no significant difference in ROA and CAR values, but there was a significant difference in NPF/NPL and GCG values in 2020. Sharia Commercial Banks were affected during the Covid 19 pandemic, with the market segment not being large, forcing Islamic banks to continue to retain customers affected by the ferocious Covid 19 pandemic situation. This has made the performance of Islamic banks in terms of NPF increase. Another thing that needs to be noted is that the level of spread of Islamic commercial banks has not fully spread to remote areas, so that the value of financing that lags far behind makes Islamic commercial banks experience an increase in NPF due to the small value of financing disbursed. During the covid 19 pandemic, Sharia Commercial Banks did not experience a change in their GCG score from the previous year, but Conventional Commercial Banks, precisely PT Bank Central Asia, experienced an increase in their GCG Score, so this made a significant difference. This indicates that Conventional Commercial Banks can show good performance in terms of their governance. The absence of significant differences in CAR values indicates that both types of banks possessed strong capital buffers to absorb risks during the pandemic. This aligns with the theory by **Diamond and Dybvig (1983)**, which posits that capital adequacy is a bank's primary defense against fund withdrawals or systemic economic shocks. The increase in NPF for sharia banks due to limited geographic reach and small market scale reflects weaknesses in intermediation efficiency. Limited access to remote areas increases information asymmetry, making it difficult for banks to monitor the real conditions of debtors affected by the pandemic, thereby increasing the risk of default. The significant difference in GCG scores, triggered by the improved governance performance of conventional banks like BCA, demonstrates the effectiveness of managerial control in responding to a crisis. According to **Jensen and Meckling (1976)**, strengthening governance during a crisis aims to align the interests of shareholders and managers to maintain the bank's operational stability. Maintaining stable GCG scores and capital ratios amidst the pandemic serves as a strong "signal" to the market that Indonesian banking remains credible, even though national credit growth contracted to minus 1.90%. This study is in line with the research conducted (Nurafini, 2022) that there is no significant difference between the ROA and CAR values. Furthermore, this study is in line with research (Ramly & Hakim, 2017) and (Purnamasari & Ariyanto, 2016) that there is a significant difference in the value of NPLs between conventional and sharia commercial banks.

d. Comparison of the Health Level of Sharia Commercial Banks and Conventional Commercial Banks in 2021 (during and up to the transition period of the Covid 19 Pandemic).

Based on the results of the Paired Sample Test, it was found that there was no significant difference in the value of NPF/NPL, ROA, and CAR between Sharia Commercial Banks and NPLs of Conventional Commercial Banks in 2021, but there was a significant difference in GCG values. Sharia Commercial Banks have increased in terms of GCG scores from 2020 to 2021, the declining pandemic conditions have made the top management move in a positive direction in carrying out their corporate governance. However, this positive movement has not been able to keep up with the performance of conventional commercial banks, so there is a significant difference. GCG assessment, which is influenced by many aspects, makes it difficult for Sharia Commercial Banks to meet the current market share conditions. Meanwhile, Conventional Commercial Banks still remain consistent with GCG values from year to year, so it can be concluded that the Covid 19 pandemic does not affect the management of Conventional Commercial Banks in carrying out good corporate governance. The increase in GCG scores for Sharia Commercial Banks from 2020 to 2021 is a positive signal sent by top management to restore stakeholder confidence following the peak of the pandemic. According to **Spence (1973)**, these efforts to improve governance serve to demonstrate the bank's commitment to transparency and accountability during the recovery phase. The consistency of GCG values in Conventional Commercial Banks reflects the stability of managerial control, which remained undisturbed by external shocks. As proposed by **Jensen and Meckling (1976)**, the mature governance in conventional banks allows them to consistently align with shareholders' interests, while sharia banks are still in the process of catching up with market share through the reinforcement of GCG aspects. The similarity in NPF/NPL, ROA, and CAR values in 2021 indicates that both banking systems successfully adjusted their intermediation strategies to the improving economic conditions. This proves that risk management mechanisms in both sectors stabilized after the severe pressure of the previous year. This research is in line with the research conducted by (Nurafini, 2022) and (Rahmawati & Yanti, 2019) that there is no significant difference between Sharia Commercial Banks and Conventional Commercial Banks and the results of the study that states that there is a significant difference in GCG value are not in line with the research conducted by the researcher mentioned earlier.

e. Analysis of the National Economic Stimulus Policy as a Countercrylical Policy The Impact of the Spread of Coronavirus Disease 2019 on the Health Level of Commercial Banks.

The Government of Indonesia through the OJK issued POJK Number: 48/POJK.03/2020 concerning Amendments to the Financial Services Authority Regulation Number: 11/POJK.03/2020 concerning National Economic Stimulus as a Countercrylical Policy on the Impact of the Spread of Coronavirus Disease 2019 on the Health Level of Commercial Banks. Several strategies have been outlined to serve as guidelines for the banking industry in the era of the Covid-19 pandemic. This policy has a good impact on the banking industry because it can be seen that the NPL growth rate of conventional commercial banks in 2019 averaged 1.47%, in 2020 the average was 0.94%, and in 2021 it was 0.76%. Sharia Commercial Banks themselves in 2019 averaged 2.09%, in 2020 the average was 2.04%, and in 2021 the average was 1.40%. Meanwhile, the inverse impact on the ROA value of the banking industry can be seen because the ROA growth rate of Conventional Commercial Banks in 2019 averaged 2.52%, in 2020 the average was 1.68%, and in 2021 the average was 1.90%, which shows that Conventional Commercial Banks show a positive direction in their operations. Sharia Commercial Banks themselves in 2019 averaged 2.81%, in 2020 averaged 1.77% and in 2021 averaged -0.81%, in contrast to Conventional Commercial Banks in 2021 showing a positive index, Sharia Commercial Banks actually showed performance that moved in a negative direction, this result is in line with research conducted by (Forester, 2022) that there is a difference in the level of health before and after the credit restructuring policy during the Covid-19 pandemic. In 2020, the portion of banking LAR in Indonesia touched a figure in the range of 25% of total banking loans, while in 2021 it decreased to 19%. This decline can be seen as a result of the issuance of POJK Number: 48/POJK.03/2020 concerning Amendments to Financial Services Authority Regulations Number: 11/POJK.03/2020 concerning National Economic Stimulus as a Countercrylical Policy for the Impact of the Spread of Coronavirus Disease 2019 in 2020. The policy that applies the principles of prudence and risk management makes the banking industry more prudent in issuing credit and/or restructuring in accordance with applicable regulations. Another thing that can also be seen is that the decrease in the level of

NPL/NPF from 2020 – 2021 makes the potential for LAR to turn into NPL/NPF decreasing well in the banking industry in implementing the POJK. This OJK policy serves as a countercyclical instrument designed to prevent systemic failure. Based on **Minsky's (1992)** Financial Instability Hypothesis, regulatory intervention through credit restructuring acts as a stabilizer when the private sector contracts, thereby preventing potential LAR from turning into massive NPL/NPF. The decline in Conventional NPL (from 1.47% to 0.76%) and Sharia NPF (from 2.09% to 1.40%) during the 2019-2021 period proves that the prudential principles in the POJK strengthened bank resilience. This aligns with **Diamond and Dybvig's (1983)** theory that appropriate regulation can prevent market panic and maintain bank capital health even under crisis conditions. The decline in Sharia ROA to a negative figure (-0.81%) in 2021, in contrast to conventional banks (1.90%), signals higher pressure from operational costs or provisioning in the sharia sector. According to **Signalling Theory (Spence, 1973)**, the positive index in conventional banks indicates operational efficiency that recovered faster post-restructuring compared to sharia banks.

Conclusion

Based on the results of the study on the comparison of the health level of Islamic banking with conventional banking before and during the Covid-19 pandemic in Indonesia with the risk-based bank rating method approach in commercial banks registered with the OJK from the formulation of the problem and the 12 hypotheses made, the fifth, eighth, and second are supported while the others are not supported.

Conventional Commercial Banks still dominate the market share in Indonesia, their operational activities are very wide to the regions making them look superior to Sharia Commercial Banks. The results of the study also show that the health level of Conventional Commercial Banks is better/healthier than that of Sharia Commercial Banks in the period 2018 – 2021 with the risk based bank rating method approach.

Conclusion per Variable

Risk Profile (NPF/NPL): There were no significant differences before the pandemic (2018-2019). However, during the pandemic (2020), a significant difference emerged where Sharia banks experienced an increase in NPF due to limited market reach and information asymmetry.
Profitability (ROA): Statistically, there was no significant difference in most periods, yet Sharia banks showed a negative trend in 2021 compared to Conventional banks, which recovered faster post-restructuring policy.
Capital (CAR): No significant differences were found from 2018 to 2021. Both types of banks managed to maintain strong capital buffers as a primary defense against economic shocks.

Governance (GCG): Significant differences appeared during the pandemic (2020-2021). Conventional banks demonstrated superior governance consistency compared to Sharia banks, which were still in the recovery acceleration phase.

Research Implications

Theoretical Implications: This study reinforces Signalling Theory and Agency Theory, suggesting that during crises, governance transparency and intermediation efficiency are the primary differentiators of bank quality.

Practical Implications: The POJK 48/2020 policy proved effective in suppressing NPL/NPF figures; however, Sharia banking requires specific strategies to improve operational efficiency to keep ROA competitive.

Suggestions

For Future Researchers: It is suggested to include macroeconomic variables (such as inflation and interest rates) and extend the observation period to analyze the long-term impact after the OJK restructuring policy fully expires.

For Sharia Banking: There is a need to expand operational reach through digitalization to reduce information asymmetry and optimize financing distribution.

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