www.bircu-journal.com/index.php/birci

Budapest International Research and Critics Institute-Journal (BIRCI-Journal)
Humanities and Social Sciences
ISSN 2615-3076 Online)
ISSN 2615-1715 (Print)

Analysis of Banks' Health Before and After Consolidated

Jayanthi Shekarmodo Jawotho[1], Wahyudi[2]
[1,2]Jakarta Veterans National Development University, Indonesia
rahadhininew@gmail.com, naris_sarnur@yahoo.co.id

Abstract

The purpose of this study was to determine the difference in the soundness of the Bank before and after consolidation using the Risk-Based Bank Rating (RBBR) method. In this study, the Bank's soundness level consists of four variables, namely risk profile, good corporate governance (GCG), earnings (profitability), and capital (capital). This study uses banking companies that are consolidating with the aim of meeting the minimum core capital of banks according to the Financial Services Authority Regulation concerning the Consolidation of Commercial Banks of 20 banks, with the final sample of the study as many as 15 banks. The data used is secondary data with a sample collection method using purposive sampling. The data analysis technique in this study used the Wilcoxon signed rank test, with the help of the SPSS 25.0 application.

Keywords
Consolidation; risk profile; good corporate governance; earnings; capital

I. Introduction

The epidemic that occurred in Indonesia in early 2020 caused disruption of community social activities which had an impact on economic activity, reflected in 2020 the Indonesian economy experienced contraction or negative economic growth, according to the Central Statistics Agency (BPS) economic movement is the lowest since 1998 at the time of the monetary crisis.

The government is trying to design various strategies to minimize the negative impact of a further pandemic, especially in the banking sector because banking is the supporter of the financial system to increase national equity and strengthen it for a country.(Ramadhanti, 2019). One of the efforts made by the government byissue POJKNo.12/POJK.03/2020 concerning Consolidation of Commercial Banks, contains the rules for adding a minimum core capital that must be fulfilled by the Bank. The regulation also explains how the Bank fulfills its minimum core capital by consolidation through a takeover, consolidation, merger, integration or formation of a Joint Business Group (KUB) scheme. With the aim of anticipating the negative impact of the COVID-19 pandemic because it is feared that banks with small capital will not be able to survive in the face of pressure.

In 2019 there were a number of banks with core capital below the minimum requirement and at the beginning of 2020 banks in Indonesia had responded to efforts to fulfill core capital, so that there were no banks with capital below the minimum requirement, the fulfillment of minimum core capital was carried out in various ways such as consolidation, merger, or acquisition.

Business mergers through consolidation, acquisitions, or mergers ideally create mutually beneficial conditions so that there is an increase in performance that has a real impact with an increase in the soundness of the Bank. According to OJK, by conducting consolidations, mergers, and acquisitions for Banks whose composite rating or health is declining can improve the soundness of the Bank. However, it does not rule out the possibility of failure in conducting consolidation which causes no change or difference in the soundness of the Bank for the period before and after consolidation or may even lead to a decrease in the soundness of the Bank. As research conducted by (Sustainable, 2018) and (Anggianto, 2017)stated that there was no difference in the soundness of the Bank before and after conducting mergers and acquisitions.

From the data of 11 (eleven) Banks that have added core capital of at least one trillion rupiahs, it shows different results, namely there are 5 (five) Banks that have increased in rating and 6 (six) other Banks remain at the same level as the previous period. Because 6 of Bank 1 remained at the same Bank soundness level in the period after the period before consolidation, mergers, and acquisitions, this is not in accordance with the theory which states that if the capital owned by the Bank increases, the Bank can use the capital to prevent the occurrence of risks in its operational activities, so as to improve the performance and soundness of the Bank(Dendawijaya, 2009).

In POJK No.4/POJK.03/2016 concerning the Assessment of the Soundness of Commercial Banks, it is stated that the health of the Bank is a tool used by the OJK to determine the strategic focus and supervision of the Bank. Based on these provisions, the Bank's health measurement can use the Risk-Based Bank Rating (RBBR) method which consists of 4 aspects, namely risk profile, good corporate governance (GCG), earnings, and capital.

Based on the background that has been described, the problems that become the ideas and topics of discussion in this study, namely: (1)Are there differences in the soundness of the Bank in terms of risk profile before and after consolidation, mergers, and acquisitions?; (2) Are there differences in the soundness of the Bank in terms of good corporate governance (GCG) before and after consolidation, mergers, and acquisitions?; (3) Are there differences in the soundness of the Bank in terms of earnings before and after consolidation, mergers, and acquisitions?; (4) Are there differences in the soundness of the Bank in terms of capital factors before and after consolidation, mergers, and acquisitions?

Based on the identification of problems that have been stated, the objectives of this study are: (1) To determine differences in the soundness of the Bank in terms of risk profile factors before and after consolidation, mergers, and acquisitions; (2) To find out differences in the soundness of the Bank in terms of good corporate governance (GCG) before and after consolidation, mergers and acquisitions; (3) To determine differences in the soundness of Banks in terms of earnings factors before and after consolidation, mergers, and acquisitions; (4) To find out differences in the soundness of the Bank in terms of capital factors before and after consolidation, mergers, and acquisitions.

II. Review of Literature

2.1 Signaling Theory

Signaling theory was put forward by Spancer in 1973 in his research entitled Job Market Signaling, which explained that the signal is a signal from the owner of the information in this case the sender, attempts to convey appropriate pieces of events or information which can then be used by the recipient and will be adjusted accordingly behavior based on the recipient's understanding of the information or signal received.

2.2 Consolidation, Mergers and Acquisitions

Consolidation, mergers and acquisitions are corporate actions used by business people to increase assets or dominate the market. Consolidation, mergers and acquisitions can also be carried out with the aim of "healing" companies that are "sick", namely by merging into healthy companies so that the merger process is able to produce healthier companies. Companies that are not in good or healthy condition can be merged (consolidated), taken over (acquired), or merged with other companies that are healthier and bigger.

Consolidation is called consolidation which is a legal act carried out to form a new company and obtain assets and liabilities from the merged company, then the legal entity status of the merged company ends (Article 1 Number 10 of Law 40/2007).

Acquisition or takeover of a company buys majority shares to become shareholders. Merger is a strategy to restructure or expand a company by combining two or more companies.

2.3 Bank Health Level

The Bank's soundness level is the result of an assessment of the Bank's risk and performance, which are factors that affect the condition of the Bank (BI Regulation No.13/1/PBI/2011).

Table 1. Criteria for Bank Soundness Level Composite Rating

Composite Rating	Composite Value (NK)	Composite Predicate
PK-1	NK < 1.5	Very healthy
PK-2	1.5 < NK < 2.5	Healthy
PK-3	2.5 < NK < 3.5	Healthy enough
PK-4	3.5 < NK < 4.5	Unwell
PK-5	4.5 < NK < 5	Not healthy

Source: PBI No.13/1/PBI/2011

2.4 Risk Based Bank Branch

RBBR is a structured and comprehensive measurement of the results of the integration of the Bank's risk profile and performance consisting of the implementation of good governance, profitability, and capital.(IBI, 2016).

Banks are required to measure the level of health individually or self-assessment using the RBBR method or a bank-level risk-based approach as referred to in POJK No.4/POJK.03/2016 with measurement coverage of the following factors:

1. *risk profiles,*is a measurement of the inherent risk and quality of the implementation of risk management in the Bank's business activities(IBI, 2016).
2. *good corporate governance,*is a guide for stakeholder consensus to identify and formulate strategic decisions in an effective and coordinated manner(IBI, 2016).
3. *earnings,*is a factor that can measure the company's ability to earn profits from capital invested in total assets(Destiana, 2019).
4. *capital,*is an indicator used to assess the ability of the Bank to meet the capital that supports the Bank's activities efficiently.(IBI, 2016).

2.5 Hypothesis

Based on the description of the theory above, the hypothesis in this study can be formulated as follows:

H1= There is a differenceon the soundness of the Bank in terms of risk profile before and after consolidation, mergers and acquisitions.

H2= There is a differenceon the soundness of the Bank in terms of good corporate governance (GCG) before and after consolidation, mergers and acquisitions.

H3= There is a differenceon the soundness of the Bank in terms of earnings (profitability) before and after consolidation, mergers, and acquisitions.

H4= There is a differenceon the soundness of the Bank in terms of capital (capital) before and after consolidation, mergers, and acquisitions.

III. Research Method

This research is quantitative research with different test analysis using secondary data. The population in this study isbanking companies that have capital below the minimum core capital (three trillion rupiah) and carry out corporate actions in the 2019-2020 period. The sampling method used in this study is purposive sampling, with the results of the sample used being Conventional Commercial Banks with core capital under three trillion rupiah and conducting consolidation, mergers, or acquisitions in the 2019-2020 period. The source used in collecting research data comes from the company's financial statements published in the 2019-2020 period on the Financial Services Authority website (www.ojk.co.id).

Data collection techniques used in the form of literature study and documentation. The variables in this study are Risk Profile, Good Corporate Governance, Earnings, Capital. The technique used in data analysis is descriptive statistics, then in the analysis and hypothesis testing a normality test (Shapiro Wilk) is carried out, then a different test is carried out depending on the results of the normality test, that is, if it shows normal results, a paired sample t-test is carried out, while if the results are not normal then using the Wilcoxon signed rank test.

IV. Results and Discussion

4.1 Descriptive Statistical Analysis

Descriptive statistical analysis was used to determine the mean, maximum, minimum, and standard deviation of each variable using the SPSS version 25.0 application program. The results of descriptive statistics in this study are as follows:

Table 2. Descriptive Statistical Results

	Risk Profile Before	*Risk Profile* After	GCG Before	GCG After	*Earnings*Before	*Earnings* After	*Capital* Before	*Capital*After
mean	2.4667	2.0667	2.4000	2.2000	2.4000	2.4667	2.1333	1.6667
Maximum	4.00	4.00	3.00	4.00	3.00	3.00	4.00	3.00
Minimum	1.00	1.00	1.00	1.00	2.00	2.00	1.00	1.00
Standard Deviation	.74322	.79881	.63246	.77460	.50709	.51640	,83381	.61721

Source: Data by SPSS 25.0

4.2 Normality Test

The normality test was conducted to test the distribution of the data used as a sample to be normal or abnormal. The normality test in this study used the Shapiro Wilk test.The results of the normality test in this study are as follows:

Table 3. Shapiro Wilk. Test Results

Variable	Period	*Kolmogrov-Smirno*			*Shapiro-Wilk*			Information
		Statistics	*df*	*Sig.*	*Statistics*	*df*	*Sig*	
Risk Profile	Before	.268	15	.005	.861	15	.025	Abnormal
	After	.333	15	.000	.819	15	.006	Abnormal
Good Corporate Governance (GCG)	Before	.295	15	.001	.761	15	.001	Abnormal
	After	.335	15	.000	.832	15	.010	Abnormal
Earnings (profitability)	Before	.385	15	.000	.630	15	.000	Abnormal
	After	.350	15	.000	.643	15	.000	Abnormal
Capital (Capital)	Before	.297	15	.001	.860	15	.024	Abnormal
	After	.305	15	.001	.766	15	.001	Abnormal

Source: SPSS data processing 25.0

4.3 Hypothesis Testing

Hypothesis testing was carried out by looking at the differences of the four variables used in the research. The results of the normality test show that the variables risk profile, good corporate governance, earnings, and capital are not normally distributed, so these variables will be tested using a non-parametric test, namely the Wilcoxon signed ranks test.The results of hypothesis testing in this study are as follows:

Table 4. Wilcoxon Signed Rank Test Results

Hypothesis	Variable	Z	*Asym.sig (2-tailed)*	Information
H1	*risk profile*Before *risk profile*After	-2.121	.034	Different
H2	GCG Before GCG After	-1.134	.257	No Different
H3	*Earnings*Before *Earnings*After	-378	.705	No Different
H4	*Capital*Before *Capital*After	-2.070	.038	Different

Source: SPSS data processing 25.0

4.4 Differences in Risk Profile Before and After Consolidation, Mergers, and Acquisitions

In the Wilcoxon signed rank test results, the results of the risk profile variable showed a Z value of -2.121. While the Asym.sig (2-tailed) value is 0.034, it can be interpreted that the Asym.sig (2-tailed) value is smaller than the significance level (0.034 < 0.05). So the conclusion is that there are differences in the soundness of the Bank based on the risk profile factor in the period before and after consolidation, mergers, and acquisitions. The results of this study are supported by research(Rahmawati & Yanti, 2019),(Beby, 2019), and(Korompis, Rotinsulu, & Sumarauw, 2015).

4.5 Differences in Good Corporate Governance (GCG) Before and After Consolidation. Mergers and Acquisitions

In the Wilcoxon signed rank test results, the results of the good corporate governance (GCG) variable showed a Z value of -1.134. While the Asym.sig (2-tailed) value is 0.257, it can be interpreted that the Asym.sig (2-tailed) value is greater than the significance level (0.257 > 0.05). So the conclusion is that there is no difference in the soundness of the Bank based on GCG factors in the period before and after consolidation, mergers, and acquisitions. The results of this study are supported by research conducted by(Sustainable, 2018),(Utami, 2017), and(Rahmawati & Yanti, 2019)

4.6 Differences in Earnings (Profitability) Before and After Consolidation, Mergers, and Acquisitions

In the Wilcoxon signed rank test results, the results of the variable earnings (profitability) show a Z value of -378. While the Asym.sig (2-tailed) value is 0.705, it can be interpreted that the Asym.sig (2-tailed) value is greater than the significance level (0.705 > 0.05). So the conclusion is that there is no difference in the soundness of the Bank based on earnings (profitability) in the period before and after consolidation, mergers, and acquisitions. The results of this study are supported by research conducted by(Utami, 2017),(Sustainable, 2018), and(Rahmawati & Yanti, 2019).

4.7 Differences in Capital Before and After Consolidation, Mergers, and Acquisitions

In the Wilcoxon signed rank test results, the results of the variable capital (capital) show a Z value of -2.070. While the Asym.sig (2-tailed) value is 0.038, it can be interpreted that the Asym.sig (2-tailed) value is smaller than the significance level (0.038 < 0.05). So the conclusion is that there are differences in the soundness of the Bank based on the capital factor (capital) in the period before and after consolidation, mergers, and acquisitions. The results of this study are supported by research(Utami, 2017),(Beby, 2019), and(Korompis, Rotinsulu, & Sumarauw, 2015).

4.8 Causes of Differences in Bank Soundness Levels Based on Analysis of Each Factor (Risk Profile, Good Corporate Governance, Earnings, Capital) Before and After Consolidating, Mergers, and Acquisitions

1. *Risk Profile*
   In the risk profile factor, there is a difference between the period before and after consolidation, the difference is an increase due to an increase in the average risk profile rating. This difference is caused by the rating of the risks used as indicators in determining the risk profile rating has increased in rating, namely credit risk, liquidity risk, operational risk, market risk, strategic risk, legal risk, reputation risk, and compliance risk. Thenpthere is a ratio used in the risk indicator*pprofile*namely (NPL and LDR) experiencedpheredity. This explains dWith the addition of core capital obtained by the Bank from consolidation, mergers, and acquisitions, it is considered that the Bank can face the negative effects of various risks that the Bank faces in the implementation of the Bank's intermediation function.
2. *Good Corporate Governance*(GCG)
   The GCG factor shows that there is no difference between the period before and after consolidation, this is due to the implementation of corporate governance being closely monitored by the OJK so that banks can maintain ratings, then the application of GCG principles, namely governance structure, governance process, and governance outcome tends to remain the same if compared to the previous period, and the results of the study also show that there are banks that have increased and some have decreased their GCG ratings. This causes after the increase in capital there is no change in the implementation of corporate governance.
3. *Earnings*(profitability)
   In the earnings factor, there is no difference between the periods before and after consolidation, this is due to the increase and decrease in the profitability ratio used as an indicator for determining earnings ratings. The profitability ratios that have increased

are (ROE and NIM), while the ratios of profitability that have decreased are (ROA and BOPO). This explains that after carrying out consolidations, mergers, and acquisitions there are banks that can record profits and there are also banks that suffer losses due to having to finance the entire process of consolidation, mergers, and acquisitions whose nominal amount is not small, as well as costs for adjusting new strategies to the merged bank.

4. *Capital*(Capital)
   In the capital factor (capital) there is a difference between the period before and after consolidation, the difference is in the form of an increase due to an increase in the average capital rating. There is a difference in the capital variable due to the increase in the capital ratio used as an indicator in determining the capital rating, namely CAR and tier 1. This explains that the increased core capital of the Bank resulted in the fulfillment of the Bank's capital adequacy so thatthe Bank's ability to cover potential unexpected losses after consolidation, mergers, and acquisitions is better than before.

V. Conclusion

Based on the results of the research tests that have been carried out in the previous chapter, the conclusions of this study are as follows:

1. *Risk profile*shows the difference between before and after consolidation, merger, and acquisition.
2. *Good corporate governance*shows that there is no difference between before and after consolidation, merger, and acquisition.
3. *Earnings*shows that there is no difference before and after consolidation, merger, and acquisition.
4. *Capital*shows that there is no difference between before and after consolidation, merger, and acquisition.
5. The causes of the difference and the non-occurrence of each factor are:
   a. *Risk Profile*
      The difference in the risk profile factor is caused by the risk rating used as an indicator in determining the risk profile rating, which has increased in rating, namely credit risk, liquidity risk, operational risk, market risk, strategic risk, legal risk, reputation risk, and compliance risk. Thenpthere is a ratio used in the risk indicator*pprofile*namely (NPL and LDR) experiencedpheredity. This explains dWith the addition of core capital obtained by the Bank from consolidation, mergers, and acquisitions, it is considered that the Bank can face the negative effects of various risks that the Bank faces in the implementation of the Bank's intermediation function.
   b. *Good Corporate Governance*
      There is no difference in the good corporate governance factor because the implementation of corporate governance is closely monitored by the OJK so that banks can maintain ratings, then the application of GCG principles, namely governance structure, governance process, and governance outcome tends to be the same when compared to the previous period, as well as research results. also shows that there are banks that have increased and some have decreased their GCG ratings.
   c. *Earnings*
      There is no difference in the earnings factor because there is an increase in profitability ratios (ROE and NIM) and also a decrease (ROA and BOPO). This is because after carrying out consolidations, mergers, and acquisitions, there are banks that can record profits and there are also banks that suffer losses due to having to

finance the entire process of consolidation, mergers, and acquisitions which are not small in nominal value, as well as costs for adjusting new strategies to the merged bank. .

d. *Capital*

There is a difference in the capital factor caused by the capital ratio used as an indicator in determining the capital rating, namely CAR and tier 1 has increased. This explains that the increased core capital of the Bank resulted in the fulfillment of the Bank's capital adequacy so thatthe Bank's ability to cover potential unexpected losses after consolidation, mergers, and acquisitions is better than before.

References

Anggianto, Waafin Listiatika. 2017. "Perbandingan Kinerja Keuangan Sebelum dan Sesudah Merger Serta Penilaian Kondisi Kesehatan Pada PT. Bank OCBC NISP Tbk." Sekolah Tinggi Ilmu Ekonomi Indonesia.

Beby, Arnetta. 2019. "Analisis Perbandingan Tingkat Kesehatan Bank Syariah dan Bank Konvensional Dengan Menggunakan Metode RGEC (Risk Profil, Good Coorporate Governance, *Earnings* and *Capital*)." *Trilogi Accounting and Busines Research* 01(01).

Brigham, Eugene F., dan Joel F. Houtson. 2018. *Dasar-Dasar Manajemen Keuangan*. Edisi Pert. Jakarta: Salemba.

Choirunnisa. S. O., Harjadi. D., dan Kormarudin. M. N. 2020. "Analisis Perbandingan Tingkat Kesehatan Bank Syariah dan Bank Konvensional di Indonesia" Jurnal Ekonomi Akuntansi dan Manajemen 1(1):64-74.

Dendawijaya, Lukman. 2009. "Manajemen Perbankan." *Jakarta : Ghalia Indonesia*.

Destiana, Rusta Tri. 2019. "Analisisi Perbandingan Tingkat Kesehatan Bank Syariah Devisa dan Non Devisa Menggunakan Metode RGEC (*Risk profile*, *Good corporate governance*, *Earnings*, *Capital*)." Universitas Islam Negeri.

Dewi, Ida, dan Ni Purnawati. 2016. "Analisis Kinerja Keuangan Perbankan Sebelum Dan Sesudah Akuisisi Pada Bank Sinar Bali." *E-Jurnal Manajemen Universitas Udayana* 5(6):253573.

Hariyani, Iswi. 2010. *Restrukturisasi dan Penghapusan Kredit Macet*. Jakart: PT Elex Media Komputindo.

Hariyani, Iswi, Serfianto, dan Cita Yustisia. 2011. *Merger, Konsolidasi, Akuisisi, & Pemisahan Perusahaan : Cara Cerdas Mengembalikan dan Memajukan Perusahaan*. Jakarta: Transmedia Pustaka.

IBI, Ikatan Bankir Indonesia. 2016. *Manajemen Kesehatan Bank Berbasis Risiko*. Jakarta: PT. Gramedia Pustaka Utama.

Kasmir, Dr. 2016. *Analisis Laporan Keuangan*. Depok: PT Raja Grafindo Persada.

Korompis, Vanessa Elisabeth, Tri Oldy Rotinsulu, dan Jacky Sumarauw. 2015. "Analisis Perbandingan Tingkat Kesehatan Bank Berdasarkan Metode RGEC (Studi pada PT. Bank Rakyat Indonesia Tbk dan PT. Bank Mandiri Tbk Tahun 2012-2014)." *Jurnal EMBA* 3(4):433–42.

Lestari, Dini Widji. 2018. "Analisis Tingkat Kesehatan Bank Sebelum Dan Sesudah Merger Dan Akuisisi Di Indonesia (Studi Pada Bank Merger Dan Akuisisi Tahun 2007-2013)." *Journal Tunas Bangsa* 185–97.

Pandia, Frianto. 2012. *Manajemen Dana dan Kesehatan Bank*. Jakarta: Rineka Cipta.

Patricia, O., Hidayati, S. dan Wahyudi. 2021. "Pengaruh Tingkat Kesehatan Bank Terhadao Return Saham Perbankan di Indonesia" KOLERASI 2:464-476.

Prawiro, M. 2018. “Arti Konsolidasi : Pengertian, Ciri-Ciri, dan Contoh Perusahaan Konsolidasi.”

Rahmawati, Apriliyana, dan Etyca Rizky Yanti. 2019. “Perbandingan Tingkat Kesehatan Bank Konvensional Dan Bank Syariah Dengan Metode *Risk profile*, *Good corporate governance*, *Earnings*, *Capital*.” *Jurnal Administrasi Kantor* 7(1):201–14.

Ramadhanti, Chairunnisah. 2019. “Pengaruh Kecukupan Modal, Likuiditas, dan Risiko Kredit Terhadap Profitabilitas Bank Umum.” Universitas Pembangunan Nasional Veteran Jakarta.

Riyanto, Slamet, dan Aglis Andhita Hatmawan. 2020. *Metode Riset Penelitian Kuantitatif Penelitian Di Bidang Manajemen, Teknik, Pendidikan dan Eksperimen*. Yogyakarta: Deepublish.

Spancer, Michael. 1973. “Job Markeet Signaling.” *The Quarterly Journal of Economics* 87(3):355–74. doi: 10.1055/s-2004-820924.

Sugeng, Bambang. 2017. *Manajemen Keuangan Fundamental*. Jakarta.

Sugiyono. 2018. *Metode Penelitian Kuantitatif Kualitatif dan R & D*. Bandung: Alfabeta.

Suryana, Bayu Putra. 2019. “Analisis Kinerja Keuangan dan Pengaruhnya terhadap Financial Distress Perusahaan Sektor Pertambangan yang Terdaftar di Bursa Efek Indonesia.” Universitas Pembangunan Nasional Veteran Jakarta.

Taswan. 2010. *Manajemen Perbankan: Konsep, Teknik, dan Aplikasi*. Yogyakarta: UPP STIM YKPN.

Utami, H. P. 2018. “Analisis Kesehatan Bank Menggunakan Metode RGEC (Studi Pada PT BRI Agroniaga Tbk. Sebelum dan Sesudah Akuisisi).” *Jurnal Ilmiah Mahasiswa FEB*.

Utami, Muatiara Dyah. 2017. “Analisis Perbandingan Tingkat Kesehatan Bank Dengan Metode RGEC Sebelum dan Sesudah Pengawasan Otoritas Jasa Keuangan (OJK) Pada PT. Bank Negara Indonesia (BNI), Tbk.” STIE Ekuitas.

Wiagustini, Ni Luh Putu. 2020. *Manajemen Keuangan*.