

Analysis of Bank Health Level Using the RGEC Method (Case Study on PT Bank SMBC Indonesia Tbk for the Period 2016-2023)

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ABSTRACT

Technological advancements and digitalization have transformed the banking industry, including PT Bank SMBC Indonesia Tbk, which shifted from conventional to technology-based services. The 2019 merger further affected its performance, structure, and long-term stability. These changes increased operational complexity and risks, making it essential to evaluate the bank's going concern and bank health level. This study analyzes PT Bank SMBC Indonesia Tbk's condition during 2016–2023 using the RGEC (Risk Profile, Good Corporate Governance, Earnings, and Capital) approach. Employing descriptive and case study methods with secondary data, the results show the bank is generally healthy in terms of credit risk, governance, profitability, and capital, though liquidity needs improvement. Continuous monitoring of liquidity and digital risks is recommended for sustainable growth.

INTRODUCTION

The advancement of technology and digitalization has significantly influenced societal behavior, including within the banking sector. As financial institutions, banks are required to adapt by offering digital services that are efficient, secure, and aligned with the needs of modern customers. One of the pioneers of digital banking services in Indonesia is Jenius, developed by PT Bank SMBC Indonesia Tbk (formerly Bank BTPN). This service supports operational efficiency and has contributed to significant growth in third-party funds.

Digital transformation, however, has brought increased operational complexity and heightened risks, particularly in the area of credit risk. The company's 2023 Public Expose reported that loans from the Jenius segment grew by 131.1% year-on-year in 2023, although its total contribution remains relatively small. This rapid growth also poses potential risks of non-performing loans (NPL), as the segment primarily targets MSMEs and individual borrowers. In addition to digital transformation, the merger between Bank BTPN and SMBCI in 2019 significantly impacted the bank's financial structure and risk profile. One notable effect was the rise in the Loan to Deposit Ratio (LDR) from 96.20% in 2018 to 163.10% in 2019, indicating that loan growth outpaced deposit growth.

To assess business continuity and financial stability following these strategic changes, this study employs the RGEC method (Risk Profile, Good Corporate Governance, Earnings, and Capital) in accordance with Financial Services Authority Regulation (POJK) Number 4/POJK.03/2016. This approach enables a comprehensive evaluation of the bank's financial health, particularly in light of the structural and technological transformations it has undergone. The analysis focuses on the 2016–2023 period to capture the pre-merger, merger, and post-merger phases of PT Bank SMBC Indonesia Tbk's development.

Despite the extensive literature on bank performance and financial health assessment, most previous studies in Indonesia have primarily examined conventional banking systems or employed earlier evaluation models such as CAMELS and the initial RGEC framework. Limited research has analyzed how digitalization and merger activities collectively influence a bank's health and going concern using the updated RGEC method as stipulated in POJK Number 4/POJK.03/2016. Furthermore, there is a paucity of empirical studies focusing specifically on PT Bank SMBC Indonesia Tbk, which underwent both a large-scale digital transformation and a merger within a short period. This gap highlights the need for a comprehensive assessment that captures the dynamic effects of technological innovation and organizational restructuring on a bank's stability and risk profile.

This study provides a novel contribution through its integrated analysis of digital transformation and merger impact on the Bank Health Level and Going Concern of PT Bank SMBC Indonesia Tbk using the RGEC approach under the most recent OJK regulation. Unlike prior studies that investigated these factors separately or over limited time frames, this research examines the 2016–2023 period, encompassing pre-merger, merger, and post-merger phases. The longitudinal perspective offers a holistic understanding of how strategic and technological developments jointly affect financial soundness. Accordingly, this

study contributes new empirical evidence for regulators, policymakers, and practitioners regarding the effectiveness of the RGEC framework in evaluating banks undergoing digital and structural transformation.

Based on the above background, several research questions are formulated as follows. First, what was the financial health of PT Bank SMBC Indonesia Tbk during the initial phase of digitalization and prior to the merger (2016–2018)? Second, what was the bank's health condition during the merger period in 2019? Third, how did the bank's health status evolve in the post-merger period from 2020 to 2023? Lastly, how has the overall health level of PT Bank SMBC Indonesia Tbk developed throughout the entire period from 2016 to 2023?

LITERATURE REVIEW

Business Combination

A business combination is the process of merging two or more previously independent business entities. Its primary objective is to enhance the company's profitability, although efficiency can also be achieved through various forms of integration. There are three types of integration in business combinations; horizontal integration, which involves the merger of companies operating in the same line of business and market; vertical integration, which is the merger of companies at different but sequential stages of production or distribution; and conglomeration, which is the merger of entities with no direct relationship, either in products or services, resulting in risk diversification (Beams et al., 2018).

Going Concern Assumption

The Financial Accounting Standards (SAK) state that financial statements are generally prepared based on the assumption that the entity will continue operating in the foreseeable future. However, if there is an indication or a decision to cease operations, the financial statements must be prepared using an alternative basis, which must be explicitly disclosed. Management is responsible for assessing the entity's ability to maintain its going concern status. If there is an intention to liquidate or no realistic alternative other than discontinuing operations, the financial statements should not be prepared under the going concern assumption. If there is material uncertainty regarding the entity's ability to continue as a going concern, such uncertainty must be disclosed. Likewise, if the financial statements are not prepared on a going concern basis, the basis used and the reasons for not using the going concern assumption must be explained.

Financial Statements

Financial statements are tools used by companies to communicate past performance, prepared periodically typically on a quarterly or annual basis (Berk & DeMarzo, 2020). According to the Conceptual Framework for Financial Reporting, these statements present information regarding an entity's economic resources, claims against the entity, and changes in both. The information provided is derived from financial data resulting from similar transactions, aggregated to simplify understanding and give meaningful insights into the company's activities.

Assessment of Bank Health Level

According to Financial Services Authority Regulation No. 4/POJK.03/2016, a bank's health level is the result of an evaluation of various risks and its performance. Banks are required to maintain their health by implementing prudential principles and risk management in every operational activity. This assessment is conducted using a risk-based approach (risk-based bank rating). Banks are also obligated to perform self-assessments of their health at least every semester and to update them when necessary. The results of the assessment, once approved by the board of directors, must be submitted to the board of commissioners. The assessment of a bank's health is carried out through the following mechanisms:

Risk Profile Assessment

The assessment of the risk profile factor is an evaluation of both the inherent risk level and the effectiveness of risk management implementation in the bank's operational activities. Credit risk is measured using the Gross Non-Performing Loan (NPL) ratio, which reflects the quality of the credit portfolio without taking into account the allowance for impairment losses. The Gross NPL ratio is calculated using the following formula:

$$\text{Gross NPL Ratio} = \frac{\text{Non-Performing Loan}}{\text{Credit Total}} \times 100\%$$

Source: Codification of Bank Indonesia Regulations, 2012

The classification of credit risk levels is then categorized into several rating tiers as follows:

Table 1. Gross NPL Ratio Rating Classification

Rating	Rating Assessment Criteria	Predicate
1	NPL < 2%	Very Healthy
2	2% ≤ NPL < 5%	Healthy
3	5% ≤ NPL < 8%	Fairly Healthy
4	8% ≤ NPL < 12%	Less Healthy
5	NPL ≥ 12%	Unhealthy

Source: Codification of Bank Indonesia Regulations, 2012

Liquidity risk is evaluated through the Loan to Deposit Ratio (LDR), which reflects the proportion between the total loans disbursed by the bank and the total third-party funds collected. The LDR ratio is calculated using the following formula:

$$\text{LDR} = \frac{\text{Credit Total}}{\text{Third-Party Funds}} \times 100\%$$

Source: SEOJK Annex No.6/23/DPNP

The level of liquidity risk in this study is categorized into several rating levels as follows.

Table 2. LDR Rating Classification

Rating	Rating Assessment Criteria	Predicate
1	50% < LDR ≤ 75%	Very Healthy
2	75% < LDR ≤ 85%	Healthy
3	85% < LDR ≤ 100% or LDR ≤ 50%	Fairly Healthy
4	100% < LDR ≤ 120%	Less Healthy
5	LDR > 120%	Unhealthy

Source: SEOJK Annex No.6/23/DPNP

Good Corporate Governance Assessment

The governance assessment evaluates the quality of the bank's management in implementing Good Corporate Governance (GCG) principles, based on regulations set by the Financial Services Authority (OJK) and by taking into account the characteristics and complexity of the bank's operations.

$$\text{GCG Implementation Ratio} = \frac{\text{Number of Fulfilled Indicators}}{\text{Total Indicators}} \times 100\%$$

GCG Analysis is conducted by assessing the fulfillment of indicators, where each fulfilled indicator is assigned a value of 1, and each unfulfilled indicator is given a value of 0. The GCG implementation ratio is then calculated based on the total score. The governance rating is classified as follows.

Table 3. GCG Rating Classification

Rating	Predicate
1	Very Healthy
2	Healthy
3	Fairly Healthy
4	Less Healthy
5	Unhealthy

Source: Annex II SEOJK No.14/SEOJK.03/2017

Earnings Assessment

The earnings assessment includes an analysis of performance, sustainability, and profit management, which is measured using the Return on Assets (ROA) ratio. This ratio reflects the bank's ability to generate profit from its owned assets.

$$\text{ROA} = \frac{\text{Pretax Income}}{\text{Weighted Average of Total Assets}} \times 100\%$$

Source: Codification of Bank Indonesia Regulations, 2012

The bank's earnings level in this study is classified into the following ratings.

Table 4. ROA Rating Classification

Rating	Rating Assessment Criteria	Predicate
1	ROA > 1,5%	Very Healthy
2	1,25% < ROA ≤ 1,5%	Healthy
3	0,5% < ROA ≤ 1,25%	Fairly Healthy
4	0% < ROA ≤ 0,5%	Less Healthy
5	ROA ≤ 0%	Unhealthy

Source: Codification of Bank Indonesia Regulations, 2012

Capital Assessment

The capital assessment includes an evaluation of the adequacy and management of the bank's capital, referring to OJK regulations regarding minimum capital requirements. The higher the risk faced, the greater the amount of capital needed. The measurement is conducted using the Capital Adequacy Ratio (CAR).

$$\text{CAR} = \frac{\text{Capital}}{\text{Risk-Weighted Assets}} \times 100\%$$

Source: Codification of Bank Indonesia Regulations, 2012

The level of capital adequacy of the bank in this study is classified into the following ratings.

Table 5. CAR Rating Classification

Rating	Rating Assessment Criteria	Predicate
1	CAR ≥ 12%	Very Healthy
2	9% ≤ CAR < 12%	Healthy
3	8% ≤ CAR < 9%	Fairly Healthy
4	6% ≤ CAR < 8%	Less Healthy
5	CAR ≤ 6%	Unhealthy

Source: Codification of Bank Indonesia Regulations, 2012

Composite Rating Assessment

The composite rating of a bank's health is determined through a comprehensive analysis of each assessment factor, taking into account general principles and the bank's ability to respond to external changes. The Financial Services Authority (OJK) has the authority to downgrade the rating if any violations are found that significantly impact the bank's operations or business continuity. The rating is classified as follows.

Table 6. Composite Rating Classification

Rating	Predicate
CR-1	Very Healthy
CR-2	Healthy
CR-3	Fairly Healthy
CR-4	Less Healthy
CR-5	Unhealthy

Source: Annex II SEOJK No.14/SEOJK.03/2017

METHODOLOGY

Research is a systematic process aimed at finding solutions to problems through structured learning and analysis (Sekaran & Bougie, 2020). This study employs a descriptive and case study approach. The descriptive method is used to collect both quantitative and qualitative data to describe the characteristics of an object or phenomenon. Meanwhile, the case study approach focuses on in-depth analysis of a specific individual, organization, or event, using various data collection techniques from different perspectives. Data in this research were collected through a literature review, which involves selecting and evaluating documents relevant to the research topic – such as books, journals, reports, and online sources. Secondary data in the form of annual reports from PT Bank SMBC Indonesia Tbk were also analyzed, sourced from the bank's official website as the primary reference for research variables.

The research began by collecting financial data from PT Bank SMBC Indonesia Tbk's annual reports for the period 2016–2023, obtained from the company's official website. The information gathered included financial ratios and corporate governance aspects, which were processed and structured as the basis for analyzing the bank's health level using the RGEC method. To provide a more detailed and period-specific evaluation, the research was conducted in three distinct phases: the initial phase of digitalization and prior to the merger period (2016–2018), the merger year (2019), and the post-merger period (2020–2023). The next step was to assess the risk profile aspect, focusing on two major types of risk: credit risk, measured using the Gross Non-Performing Loan (NPL) ratio, and liquidity risk, measured using the Loan to Deposit Ratio (LDR). The analysis also covered the Good Corporate Governance (GCG) aspect by evaluating the extent to which the bank implemented sound governance principles during the observed period. For the earnings aspect, the study assessed Return on Assets (ROA) annually. Additionally, the capital aspect was thoroughly analyzed by examining key indicators and considering material and significant factors affecting the bank's capital structure. After evaluating all aspects, this research compiled a comprehensive assessment of PT Bank SMBC Indonesia Tbk's health level based on the RGEC method in the form of a composite rating.

RESEARCH RESULT AND DISCUSSION

Analysis of the Initial Phase of Digitalization and Prior to the Merger Period (2016–2018)

The analysis of the bank's health was conducted using the RGEC method, which evaluates four key aspects: Risk Profile, Good Corporate Governance (GCG), Earnings, and Capital. The assessment focused on the 2016–2018 period, which marked the beginning of PT Bank SMBC Indonesia Tbk's digital transformation, prior to its merger in 2019. The purpose of this analysis was to understand the impact of the company's digitalization strategy and the prevailing economic conditions on the bank's financial health. During this period, rapid technological developments drove a shift from conventional to digital banking, as customers increasingly demanded efficient, accessible financial services aligned with modern lifestyles. PT Bank SMBC Indonesia Tbk

responded by launching an innovative digital banking platform, *Jenius*, which became a pioneer in Indonesia’s digital banking landscape. This strategic move was also influenced by broader economic challenges between 2016 and 2018, as Indonesia’s banking sector faced pressure from a prolonged global economic slowdown. The deceleration, driven by China’s weakening growth, falling commodity prices, and global oil price declines, was further intensified by U.S. interest rate hikes, which affected currency stability in emerging markets, including Indonesia. Despite Bank Indonesia's efforts to stimulate credit through lower interest rates, sluggish domestic consumption limited loan growth. Signs of recovery only began to appear in 2018.

Risk Profile Analysis

The risk profile analysis in this study focuses on credit risk, measured using the Gross Non-Performing Loan (NPL) ratio, and liquidity risk, assessed through the Loan to Deposit Ratio (LDR).

Table 7 presents the calculation of the Gross NPL ratio during the 2016–2018 period, which serves as the basis for credit risk analysis.

Table 7. Credit Risk Analysis for the Period 2016-2018

Period	NPL	Rating	Predicate
2016	0,79%	1	Very Healthy
2017	0,90%	1	Very Healthy
2018	1,24%	1	Very Healthy

Source: Processed Data (2025)

During the 2016 to 2018 period, PT Bank SMBC Indonesia Tbk demonstrated excellent performance in maintaining credit quality, as reflected by a consistently low Gross NPL ratio below 2%. This placed the company in the highest credit risk rating with a “Very Healthy” predicate. Despite global economic and political challenges, the bank managed to maintain credit portfolio stability through prudent and structured credit policies, as well as the effective use of digital technology.

Table 8 presents the calculation of the Loan to Deposit Ratio (LDR) during the 2016–2018 period, which serves as the basis for liquidity risk analysis.

Table 8. Liquidity Risk Analysis for the Period 2016-2018

Period	LDR	Rating	Predicate
2016	95,42%	3	Fairly Healthy
2017	96,22%	3	Fairly Healthy
2018	96,18%	3	Fairly Healthy

Source: Processed Data (2025)

The company's liquidity level during the 2016–2018 period was considered moderate, as indicated by a relatively high Loan to Deposit Ratio (LDR) that still remained within the healthy threshold for banks. During this period, the bank's health in terms of liquidity risk was rated at level 3, which corresponds to an LDR range between 85% and 100% and falls under the “Fairly Healthy” category. This rating implies that while the bank was actively lending, it still maintained sufficient funding from deposits to support its credit activities. However, being in the mid-range suggests the bank needed to manage its liquidity carefully to avoid potential shortfalls, especially in times of increased loan demand or market stress.

Corporate Governance Analysis

To evaluate the company's Good Corporate Governance (GCG), an assessment was conducted based on the fulfillment of 25 specific GCG indicators adopted by the company. The results of the GCG assessment for the years 2016 to 2018 are summarized in Table 9.

Table 9. GCG Assessment for the Period 2016-2018

Period	GCG Implementatio Ratio	Rating	Predicate
2016	96%	1	Very Healthy
2017	96%	1	Very Healthy
2018	96%	1	Very Healthy

Source: Processed Data (2025)

During the 2016–2018 period, the implementation of Good Corporate Governance (GCG) at the company was considered highly effective. The company demonstrated a strong commitment to governance principles, successfully meeting 24 out of 25 assessed indicators resulting in a 96% compliance rate. Key governance areas addressed included shareholder relations, the roles and responsibilities of the Board of Commissioners and Directors, stakeholder engagement, and information transparency. Most of these areas were supported by written policies, clear guidelines, and transparent disclosures, covering investor communication, prevention of insider trading, a whistleblowing system, and anti-corruption policies. The only unmet indicator was the full attendance of all Board members at the Annual General Meeting of Shareholders, although absences were properly communicated. Overall, these results reflect the company's strong dedication to upholding transparent, accountable, and integrity-based corporate governance.

Earnings Analysis

The company's level of profitability (earnings) is assessed using the Return on Assets (ROA) ratio. The ROA calculation for the 2016–2018 period is presented in Table 10.

Table 10. Earnings Assessment for the Period 2016-2018

Period	ROA	Rating	Predicate
2016	3,02%	1	Very Healthy
2017	2,08%	1	Very Healthy
2018	2,97%	1	Very Healthy

Source: Processed Data (2025)

The company demonstrated strong profitability, with a high Return on Assets (ROA) achieved during the observed period. From 2016 to 2018, the bank consistently maintained a level of profitability that placed it in rating category 1, earning the classification of "Very Healthy." Despite facing challenging economic conditions, the company effectively leveraged digitalization to reduce interest expenses, allowing it to remain profitable even during difficult times.

Capital Analysis

The company's capital was analyzed by evaluating the Capital Adequacy Ratio (CAR) over the 2016–2018 period. The CAR calculations are presented in Table 11.

Table 11. Capital Assessment for the Period 2016-2018

Periode	CAR	Rating	Predicate
2016	25,03%	1	Very Healthy
2017	24,64%	1	Very Healthy
2018	25,26%	1	Very Healthy

Source: Processed Data (2025)

The capital position of PT Bank SMBC Indonesia Tbk during 2016–2018 was assessed as very strong, with the Capital Adequacy Ratio (CAR) consistently above 12%, placing the bank in rating 1 or "Very Healthy".

Composite Rating Determination

The bank's overall health level was assessed by assigning a composite rating based on the results of each individual factor analysis. The composite rating results for the period 2016–2018 are presented in Table 12.

Table 12. Composite Rating for the Period 2016-2018

Period	Composite Rating	Predicate
2016	1	Very Healthy
2017	1	Very Healthy
2018	1	Very Healthy

Source: Processed Data (2025)

The average rating for the 2016–2018 period indicates an overall Composite Rating 1 (CR-1), which reflects a very healthy bank condition. This outcome suggests that any weaknesses within the four RGEC components were minor and not significant. Each component, including Good Corporate Governance (GCG), was rated at level 1, except for liquidity risk, which was rated at level 3. However, since level 3 is still classified as "Fairly Healthy," this did not substantially affect the overall assessment. Thus, the Composite Rating 1 (CR-1) confirms that the bank's overall condition was categorized as "Very Healthy."

Analysis of the Merger Period (2019)

The 2019 merger marked a pivotal moment for the bank, bringing both growth opportunities and heightened risks. As the two banks combined into one entity, it became essential to evaluate the implications of this transformation on the bank's financial health. The merger resulted in a sharp increase in lending activities and funding sources, but also introduced the challenge of managing integrated risks. Therefore, analyzing the bank's condition during the merger year is crucial to understanding how well it adapted to this significant structural change.

Risk Profile Analysis

In 2019, the bank recorded a Gross Non-Performing Loan (NPL) ratio of 0,81%, which is considered exceptionally low and well within the threshold for a strong credit risk profile. Based on the RGEN (Risk Profile, Good Corporate Governance, Earnings, and Capital) assessment criteria, this NPL level earned the bank a rating of 1, corresponding to the "Very Healthy" category. A low NPL ratio indicates that only a small portion of the bank's total loans were experiencing repayment difficulties, reflecting effective credit risk management and a high-quality loan portfolio. Despite the complexities introduced by the merger that took place in the same year, the bank successfully maintained strong asset quality, demonstrating its ability to manage credit expansion without significantly increasing non-performing loans.

The business merger that took place in 2019 marked a turning point in the company's Loan to Deposit Ratio (LDR). In that year, the LDR surged dramatically to 163,06%, nearly doubling from the previous year. This sharp increase was primarily driven by a significant expansion in the corporate loan portfolio, which rose by IDR 75,7 trillion. However, this rapid credit growth was not matched by a proportional increase in third-party fund collection (deposits). As a result, the bank's liquidity position became more strained, reflecting an imbalance between lending activities and available funding sources. This highlights the liquidity risk that can emerge following a major structural change such as a merger, particularly when aggressive credit expansion is not supported by sufficient deposit growth.

Good Corporate Governance Analysis

In 2019, PT Bank SMBC Indonesia Tbk demonstrated full compliance with Good Corporate Governance (GCG) standards, successfully meeting all 25 GCG indicators, resulting in a perfect compliance rate of 100%. This marks a significant improvement compared to previous years, indicating not just consistency but also refinement in governance practices. The bank ensured the protection of shareholder rights by securing the full attendance of both the Board of Directors and Commissioners at the Annual General Meeting (AGM). Overall, the company's GCG performance in 2019 reflected a strong commitment to transparency, accountability, and integrity, signaling that GCG principles were not only regulatory requirements but also embedded in the organization's culture.

Earnings Analysis

In 2019, following the completion of the merger between BTPN and SMBCI, the bank's Return on Assets (ROA) experienced a slight decline to 2,84%. However, this decrease was not significant and remained within a strong range. An ROA of 2,84% highlights the company's ability to maintain solid financial performance even during a major transitional period such as the consolidation of two banking institutions. This figure reflects the bank's operational efficiency and profitability despite the challenges typically associated with mergers, including integration of systems, restructuring of organizational frameworks, and alignment of business strategies. Maintaining a relatively high ROA under these circumstances indicates that the bank successfully managed its resources and costs, minimized disruption to core operations, and capitalized on the synergies created by the merger.

Capital Analysis

The year 2019 marked a significant milestone for the company with the completion of the merger between BTPN and SMBCI, which substantially strengthened its business structure and capacity. One of the primary objectives of the merger was to enhance the bank's capital base, enabling it to expand its services to a broader market. As a result of the merger, the bank's core capital rose significantly to IDR 27,2 trillion. This capital increase also impacted the bank's Capital Adequacy Ratio (CAR), which stood at 24,24% by the end of 2019. The change in CAR was driven not only by the rise in core capital but also by a substantial increase in supplementary capital, which can be converted into core capital over time. However, the CAR was slightly affected by a significant increase in Risk-Weighted Assets (RWA), largely due to the merger-induced surge in total loans disbursed in 2019. This increase in lending, while supporting business growth, also raised the bank's capital requirement, slightly offsetting the CAR gains.

Composite Rating Determination

The determination of the composite rating for the 2019 period indicates that the bank falls under Composite Rating 2 (CR-2). This rating reflects a generally healthy condition when assessed across all four RGEC components (Risk Profile, Good Corporate Governance, Earnings, and Capital). Although the bank showed a weakness in the liquidity risk assessment, receiving an "Unhealthy" rating in that aspect, the strong performance in the other factors helped mitigate the impact of this weakness, rendering it less significant overall. A Composite Rating 2 (CR-2) signifies that the bank is considered "Healthy" in general.

Analysis of the Post-Merger Period (2020–2023)

The period from 2020 to 2023 marked one of the most challenging times for the global banking industry, including in Indonesia, due to the widespread impact of the COVID-19 pandemic and the subsequent recovery efforts. This post-merger period for PT Bank SMBC Indonesia Tbk coincided with a time of economic uncertainty, declining credit growth, and heightened financial risk. To counteract this downturn, Bank Indonesia implemented accommodative monetary policies by lowering benchmark interest rates on both savings and loans in an effort to stimulate credit activity amid low inflation. In parallel, the Financial Services Authority (OJK) issued a credit restructuring policy in 2021, aimed at containing the rise in Non-Performing Loans (NPL) and easing the financial burden on debtors affected by the pandemic. The goal of this analysis is to assess the financial health and stability of PT Bank SMBC Indonesia Tbk during this challenging post-merger period using the RGEC method by analyzing performance from 2020 to 2023.

Risk Profile Analysis

Table 13 presents the calculation of the Gross NPL ratio during the 2020–2023 period.

Table 13. Credit Risk Analysis for the Period 2020-2023

Period	NPL	Rating	Predicate
2020	1,21%	1	Very Healthy
2021	1,68%	1	Very Healthy
2022	1,42%	1	Very Healthy
2023	1,34%	1	Very Healthy

Source: Processed Data (2025)

The Gross NPL (Non-Performing Loan) ratio increased significantly in 2020 and 2021, reaching 1,21% and 1,68% respectively. This rise was primarily due to the severe impact of the COVID-19 pandemic during those years, as reflected in the decline in overall credit disbursement while the level of problematic loans continued to grow. Despite the increase, the company's Gross NPL ratio was still considered very healthy.

Improvements began in 2022 and continued into 2023, with the Gross NPL ratio declining to 1,42% and 1,34% respectively. This improvement was driven by a reduction in non-performing loans and the return of positive credit growth. Additionally, changes in credit classification during the 2020–2023 period may have influenced the bank's reported Gross NPL figures.

Table 14 presents the calculation of the Loan to Deposit Ratio (LDR) during the 2020–2023 period, which serves as the basis for liquidity risk analysis.

Table 14. Liquidity Risk Analysis for the Period 2020-2023

Period	LDR	Rating	Predicate
2020	135,15%	5	Unhealthy
2021	123,97%	5	Unhealthy
2022	127,21%	5	Unhealthy
2023	144,70%	5	Unhealthy

Source: Processed Data (2025)

From 2020 to 2021, the company's Loan to Deposit Ratio (LDR) declined to 135,15% in 2020 and 123,97% in 2021. This decrease was caused by a drop in credit disbursement alongside a significant increase in third-party funds. In 2022 and 2023, however, the LDR rose again to 127,21% and 144,7% respectively. During this period, the growth of third-party funds slowed down compared to previous years, while credit growth accelerated. The increase in third-party funds during the pandemic became a key driver for the company's credit expansion. From 2020 to 2023, the bank's health rating in the liquidity risk factor was ranked at level 5, characterized by an LDR (Loan to Deposit Ratio) above 120%, and was rated as "Unhealthy." The bank's main strategy to reduce liquidity risk is utilizing long-term loans from affiliated parties. These substantial long-term borrowings strengthen the company's funding source, enabling it to support large-scale credit distribution. Additionally, the company employs a strategy to raise low-cost funds rapidly through its digital platform, *Jenius*. This strategy targets Indonesia's retail market with fast and user-friendly processes, supported by technological advancement.

Good Corporate Governance Analysis

The results of the GCG assessment for the period 2020 to 2023 are summarized in Table 15.

Table 15. GCG Assessment for the Period 2020-2023

Period	GCG Implementation Ratio	Rating	Predicate
2020	100%	1	Very Healthy
2021	100%	1	Very Healthy
2022	100%	1	Very Healthy
2023	100%	1	Very Healthy

Source: Processed Data (2025)

From 2020 to 2023, PT Bank SMBC Indonesia Tbk consistently maintained its high standards of Good Corporate Governance (GCG), building on the strong foundation established in 2019 when the bank achieved a 100% compliance rate across all 25 GCG indicators. Throughout the post-merger and pandemic recovery period, the company continued to uphold key governance principles such as transparency, accountability, and integrity. This sustained performance reflects the bank's commitment to embedding GCG not merely as a regulatory obligation, but as an integral part of its corporate culture, ensuring stakeholder trust and long-term organizational resilience.

Earnings Analysis

The ROA calculation for the 2020–2023 period is presented in Table 16.

Table 16. Earnings Assessment for the Period 2020-2023

Period	ROA	Rating	Predicate
2020	1,44%	2	Healthy
2021	2,14%	1	Very Healthy
2022	2,32%	1	Very Healthy
2023	1,68%	1	Very Healthy

Source: Processed Data (2025)

In 2020, PT Bank SMBC Indonesia Tbk experienced its lowest Return on Assets (ROA), which dropped to 1,44%. This decline was primarily due to a significant decrease in pre-tax profit following the merger. The reduced profit was driven by a nearly twofold increase in the allowance for impairment losses, even though interest and operating expenses declined due to efficiency measures. In 2020, the company recorded a Return on Assets (ROA) of 1,44%, placing it within the range below 1,5% but still above 1,25%. This level of profitability was classified under Rating 2 or “Healthy,” indicating that the company maintained a good ability to generate profit despite facing major challenges and crises. In 2021 and 2022, the bank gradually recovered its profitability, with ROA improving to 2,14% and 2,32%, respectively. However, in 2023, ROA declined again, primarily due to a sharp increase in interest expenses and a rise in impairment provisions. From 2021 to 2023, the company successfully achieved the predicate of “Very Healthy,” reflecting its strong profitability and overall healthy financial performance during the post-pandemic recovery period.

Capital Analysis

The company's capital was analyzed by evaluating the Capital Adequacy Ratio (CAR) over the 2020–2023 period. The CAR calculations are presented in Table 17.

Table 17. Capital Assessment for the Period 2020-2023

Periode	CAR	Rating	Predicate
2020	25,55%	1	Very Healthy
2021	26,17%	1	Very Healthy
2022	27,29%	1	Very Healthy
2023	29,90%	1	Very Healthy

Source: Processed Data (2025)

The capital position of PT Bank SMBC Indonesia Tbk during 2020–2023 was assessed as very strong, with the Capital Adequacy Ratio (CAR) consistently, placing the bank in rating 1 or “Very Healthy”. The management demonstrated a measured and strategic approach to maintaining capital strength, including leveraging the post-merger momentum to enhance the capital structure in support of sustainable business growth and to maintain stakeholder confidence.

Composite Rating Determination

The composite rating results for the period 2020-2023 are presented in Table 18.

Table 18. Composite Rating for the Period 2020-2023

Period	Composite Rating	Predicate
2020	2	Healthy
2021	2	Healthy
2022	2	Healthy
2023	2	Healthy

Source: Processed Data (2025)

During the period from 2020 to 2023, the bank's composite rating was placed within Composite Rating 2 (PK-2). This rating indicates that the bank was generally in a "Healthy" condition based on the four RGEC factors. Although the bank showed a weakness in liquidity risk rated as "Unhealthy", the strength of the other factors sufficiently offset this, resulting in an overall assessment that still qualifies as "Healthy".

Development of Bank Health Level Through the Years (2016-2023)

The next step in the analysis is to examine the development and trends of each RGEC component as well as the overall performance.

Credit Risk

The development of Gross NPL ratio for the period 2016 to 2023 is presented in Figure 1.

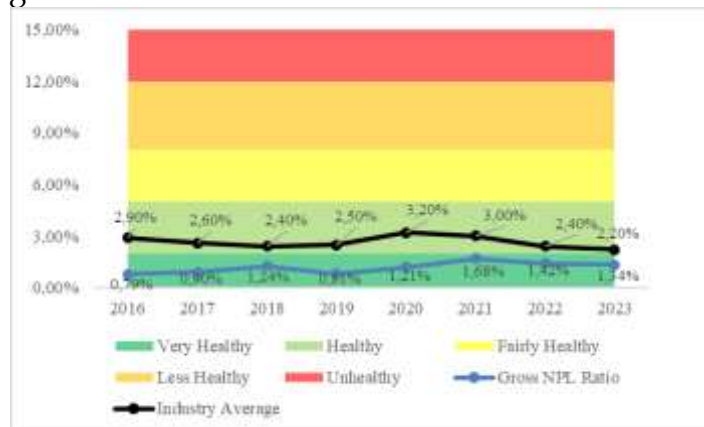


Figure 1. Development of Gross NPL Ratio for the Period 2016-2023

Source: Processed Data (2025)

The company demonstrated strong credit quality from 2016 to 2023, as reflected in its consistently low Gross NPL (Non-Performing Loan) ratio. Despite global economic turbulence and uncertain political conditions, the company remained resilient in maintaining asset quality. Throughout this period, the Gross NPL ratio consistently stayed below 2%, placing the bank's credit risk rating at Level 1, categorized as "Very Healthy". This ratio is also lower than the industry average, indicating that the company maintained stronger credit risk management compared to the broader banking sector.

Liquidity Risk

The development of the Loan to Deposit Ratio for the period 2016 to 2023 is presented in Figure 2.

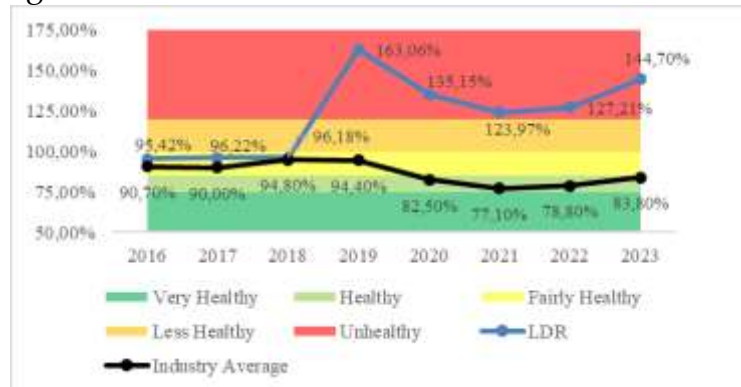


Figure 2. Development of Loan to Deposit Ratio for the Period 2016-2023

Source: Processed Data (2025)

The company's liquidity level from 2016 to 2023 was considered moderate, as indicated by consistently high Loan to Deposit Ratio (LDR) levels that exceeded the healthy threshold for banks. From 2016 to 2018, the bank's liquidity risk health was rated at Level 3, falling within an LDR range of 85% to 100%, and categorized as "Fairly Healthy." However, starting in 2019 through 2023, following the merger, the rating shifted to Level 5 due to LDR exceeding 120%, resulting in a "Unhealthy" classification. This downgrade reflects a significant change in liquidity risk assessment post-merger, primarily due to higher loan growth surpassing deposit growth.

Development of Good Corporate Governance

The development of the GCG Implementation Ratio for the period 2016 to 2023 is presented in Figure 3.



Figure 3. Development of GCG Implementation Ratio for the Period 2016-2023

Source: Processed Data (2025)

The increase in the company's Good Corporate Governance (GCG) implementation score from 96% during 2016–2018 to a perfect 100% in 2019–2023. This reflects a significant improvement in the company's governance practices following the merger between BTPN and SMBCI in 2019. This improvement indicates that the company not only maintained strong governance principles after the consolidation but also enhanced its internal controls, transparency, and compliance with regulatory standards. The perfect score from 2019 onward suggests a more integrated and standardized governance framework aligned with global best practices, likely influenced by the affiliation with the SMBC Group.

Development of Earnings

The development of the Return on Assets for the period 2016 to 2023 is presented in Figure 4.



Figure 4. Development of Return on Assets for the Period 2016-2023
 Source: Processed Data (2025)

The company demonstrated strong profitability throughout the analysis period, consistently achieving a Return on Assets (ROA) above 1,5% except in 2020, when ROA slightly declined to 1,44% due to economic challenges. This placed the bank in the “Very Healthy” category from 2016–2019 and 2021–2023, and in the “Healthy” category in 2020. Despite the dip, the company maintained solid profit-generating ability by leveraging digitalization to reduce funding costs and by utilizing merger synergies post-2019. The company has continued efforts to sustain this positive trend in profitability through cost efficiency and asset optimization, signaling strong readiness to face future economic pressures.

of Capital

The development of the Capital Adequacy Ratio for the period 2016 to 2023 is presented in Figure 5.



Figure 5. Development of Capital Adequacy Ratio for the Period 2016-2023
 Source: Processed Data (2025)

The company maintained a strong capital position from 2016 to 2023, consistently achieving a Capital Adequacy Ratio (CAR) above 12%, which placed it in the highest rating category of “Very Healthy”. This reflects a very healthy capital level. The bank’s capital management was strategic and well-measured, especially in leveraging the post-merger momentum to strengthen its capital structure. This strong capital foundation was essential to support sustainable business growth and maintain stakeholder confidence.

Development of Composite Rating

Finally, to summarize all aspects of RGEC, the development of the composite rating for the 2016–2023 period is presented in Figure 6.



Figure 6. Development of Composite Rating for the Period 2016-2023

Source: Processed Data (2025)

The bank's composite rating increased from 1 (during 2016–2018) to 2 (from 2019–2023), primarily due to a significant rise in liquidity risk following the merger. As a result, the company's liquidity position required closer attention, even though other RGEC factors remained strong.

CONCLUSIONS AND RECOMMENDATIONS

This study provides several key implications for the banking sector, particularly in the context of structural transformation and economic uncertainty. The findings reveal that PT Bank SMBC Indonesia Tbk was able to maintain overall financial health throughout 2016–2023 by leveraging strong capital adequacy, credit quality, and profitability, even amid the challenges of a major merger and global crises. The bank's strategic adoption of digital banking such as the Jenius platform proved effective in minimizing funding costs during periods of market volatility, demonstrating that digital transformation can significantly enhance resilience and efficiency. However, the study also identifies liquidity risk as a persistent challenge, particularly in the post-merger phase, where the Loan to Deposit Ratio exceeded healthy thresholds. This suggests that rapid credit expansion, if not supported by diversified funding sources, can weaken the liquidity profile despite strong performance in other areas. In light of these findings, it is recommended that PT Bank SMBC Indonesia Tbk continue enhancing its liquidity planning and funding structure while leveraging its strong digital infrastructure and governance framework to sustain long-term growth.

ADVANCED RESEARCH

The study is limited by its single-case focus, which restricts generalizability to the broader banking industry. Additionally, reliance on publicly available secondary data may omit qualitative governance insights, and the external economic environment was not modeled quantitatively. Therefore, future research should adopt a comparative approach involving multiple banks to identify sector-wide trends.

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