

**THE ANALYSIS OF BANK STABILITY USING THE RGEC METHOD
TO PREDICT FINANCIAL DISTRESS**

(An Empirical Study on Islamic Bank in Indonesia for the Period 2018-2022)

**ANALISIS STABILITAS BANK DENGAN MENGGUNAKAN METODE
RGEC UNTUK MEMPREDIKSI FINANCIAL DISTRESS**

(Studi Empiris pada Bank Syariah di Indonesia Periode 2018-2022)



By:

SARWAH SAHSIAH

20200420260

**FACULTY OF ECONOMICS AND BUSINESS
INTERNATIONAL PROGRAM OF ACCOUNTING
UNIVERSITAS MUHAMMADIYAH YOGYAKARTA
2024**

**THE ANALYSIS OF BANK STABILITY USING THE RGEC METHOD
TO PREDICT FINANCIAL DISTRESS**

(An Empirical Study on Islamic Bank in Indonesia for the Period 2018-2022)

UNDERGRADUATE THESIS

Submitted as a Partial Fulfilment of the requirement for the Attainment of the Bachelor Degree of Accounting in the International Program of Accounting Faculty of Economic and Business, Universitas Muhammadiyah Yogyakarta



By:

SARWAH SAHSIAH

20200420260

**FACULTY OF ECONOMICS AND BUSINESS
INTERNATIONAL PROGRAM OF ACCOUNTING
UNIVERSITAS MUHAMMADIYAH YOGYAKARTA
2024**

DECLARATION PAGE

Herewith, I

Name : Sarwah Sahsiah

Student Number : 20200420260

I declare that the undergraduate thesis entitled "**THE ANALYSIS OF BANK STABILITY USING THE RGEC METHOD TO PREDICT FINANCIAL DISTRESS (An Empirical Study on Islamic Bank in Indonesia for the Period 2018-2022)**" is my original work to fulfil the requirement for the degree of Sarjana Akuntansi (S.Ak) in Faculty of Economics and Business of Universitas Muhammadiyah Yogyakarta. It does not include any content previously written or published by other people, except those indicated in the reference list. If there is any violation of scientific ethics found in this study, I am the only one responsible and willing to accept sanctions.

Yogyakarta, June 21st, 2024



Sarwah Sahsiah

MOTTO

"It always seems impossible until it's done."

Nelson Mandela

"Success is not final, failure is not fatal:

It is the courage to continue that counts."

Winston Churchill

"Genius is one percent inspiration

and ninety-nine percent perspiration."

Thomas Edison

ACKNOWLEDGMENT

In the name of Allah, the Most Gracious, the Most Merciful. All praise and gratitude to Allah SWT for His infinite mercy and abundant blessings, which have facilitated the completion of my undergraduate thesis, "**The Analysis of Bank Stability Using the RGEC Method to Predict Financial Distress**". This thesis's completion is inseparable from the guidance, assistance, and support provided by various parties. Therefore, the researcher would like to thank, as much as possible to:

1. Mrs. Fitri Wahyuni, S.E., M.Sc. As my supervisor who consistently offered patient guidance and unwavering support to the author in completing this undergraduate thesis.
2. Mrs. Sitta Zumala the Language Training Center supervisor, kindly provided guidance and advice to support the author in completing this undergraduate thesis.
3. My parents, Ir. Khairuddin and Nuraini, S. Ag., and my whole family never tired of blessing me with prayers and support. Especially Nurul Fadilah, S.Tr.Kom, as my sister, is always there when the author does not understand and struggling to complete this undergraduate thesis.
4. Muhammad Axel Agung Lorenzo, Qanitah Amaliah, Mahatma Hendradata, Hendy Surya Ahdim, A. Difa Nadiah Rahma, Nabila Safitri, Farra Diptya Fatansyah, Amelia Putri, Andien Femmy, Jessica Kiranty, and Adetia Claudia have provided author support, assistance, and motivation to complete this undergraduate thesis.

FOREWARD

In the name of Allah, the Most Gracious, the Most Merciful. All praise and gratitude to Allah SWT for His infinite mercy and abundant blessings, which have facilitated the completion of my undergraduate thesis, "**The Analysis of Bank Stability Using the RGEC Method to Predict Financial Distress**". This undergraduate thesis is written to fulfil the requirements for a bachelor's degree in accounting from the International Program of Accounting, Faculty of Economics and Business, Universitas Muhammadiyah Yogyakarta. This topic will provide external parties with a comprehensive overview of the stability of Indonesian Islamic banks. Therefore, the researcher would like to thank, as much as possible to:

1. Dr. Ir. Gunawan Budiyanto, M.P. As the Rector of Universitas Muhammadiyah Yogyakarta.
2. Prof. Rizal Yaya, S.E., M.Sc., Ph.D., CA., AK., CA., CRP. As Dean of the Faculty of Economics and Business Universitas Muhammadiyah Yogyakarta.
3. Dr. Dyah Ekaari SJ, M.Sc., QIA., Ak., CA. As the Chairman of the Accounting Department, Faculty of Economics and Business, Universitas Muhammadiyah Yogyakarta.
4. Fitri Wahyuni, S.E., M.Sc. As the Head of the International Program of Accounting Department at Universitas Muhammadiyah Yogyakarta.

Yogyakarta, June 21st, 2024



Sarwah Sahsiah

TABLE OF CONTENT

DECLARATION PAGE	v
MOTTO.....	vi
ABSTRACT	vii
ACKNOWLEDGMENT.....	ix
FOREWARD.....	x
TABLE OF CONTENT	xi
LIST OF TABLES	xiii
LIST OF FIGURES.....	xiv
LIST OF APPENDIX	xv
CHAPTER I.....	1
A. Research Background	1
B. Research Question.....	10
C. Research Objectives	11
D. Research Benefit.....	12
CHAPTER II.....	14
A. Theoretical Framework.....	14
1. Signalling Theory	14
2. Bank Stability	17
a. Risk Profile Assessment.....	19
1) Credit Risk.....	19
2) Market Risk	21
3) Liquidity Risk	22
4) Operational Risk	23
b. Good Corporate Governance Assessment.....	24
c. Earnings Assessment.....	25
d. Capital Assessment.....	27
3. Financial Distress.....	28
B. Summary of Previous Research.....	28
C. Hypothesis Development.....	36
1. Effect of Credit Risk on Prediction of Financial Distress	36
2. Effect of Market Risk on Prediction of Financial Distress.....	37
3. Effect of Liquidity Risk on Prediction of Financial Distress.....	38
4. Effect of Operational Risk on Prediction of Financial Distress.....	40

5. Effect of Good Corporate Governance on Prediction of Financial Distress.....	41
6. Effect of Earning on Prediction of Financial Distress.....	42
7. Effect of Capital on Prediction of Financial Distress.....	43
D. Research Model.....	45
CHAPTER III.....	46
A. Research Object.....	46
B. Type of Data	46
C. Sampling Technique.....	46
D. Data Collection Technique.....	47
E. Definition of Research Operational Variable	47
F. Data Instrument Test.....	52
F. Hypothesis Test	54
G. Data Analysis	55
CHAPTER IV	57
A. Research Object/Subject Description.....	57
B. Instrument and Data Quality Test.....	57
C. Hypothesis Test	66
D. Data Analysis	66
E. Discussion.....	70
CHAPTER V	80
A. Conclusion.....	80
B. Implication.....	81
C. Limitation	82
D. Suggestion.....	82
REFERENCES.....	84

LIST OF TABLES

Table 1. 1 Islamic Bank Financial Ratio.....	5
Table 2. 1 NPF Predicate Assessment Criteria.....	20
Table 2. 2 IRR Predicate Assessment Criteria	21
Table 2. 3 FDR Predicate Assessment Criteria	22
Table 2. 4 BOPO Predicate Assessment Criteria.....	24
Table 2. 5 GCG Predicate Assessment Criteria.....	25
Table 2. 6 ROA Predicate Assessment Criteria.....	26
Table 2. 7 CAR Predicate Assessment Criteria.....	28
Table 4. 1 Sample Research Criteria.....	57
Table 4. 2 Descriptive Statistics.....	58
Table 4. 3 Normality Test.....	63
Table 4. 4 Multicollinearity Test.....	64
Table 4. 5 Heteroskedasticity Test.....	65
Table 4. 6 Autocorrelation Test	65
Table 4. 7 Multiple Regression Analysis.....	66
Table 4. 8 Determination Coefficient Test (Adjusted R ²)	66
Table 4. 9 Simultaneous Test (F-Test)	67
Table 4. 10 Partial Test (T-Test).....	68

LIST OF FIGURES

Figure 2. 1 Research Model.....	45
--	----

LIST OF APPENDIX

Appendix 1 Islamic Banks Data	90
Appendix 2 Research Variable Data.....	92
Appendix 3 SPSS Output Result.....	109
Appendix 4 Statistic Descriptive.....	113
Appendix 5 Asumsion Classic Test.....	115
Appendix 6 Hypothesis Test	118