

ARE ISLAMIC BANKS STILL SOUND AMIDST THE PANDEMIC?

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Abstract

The paper aims to check whether Islamic banks in Indonesia remain sound amid the Covid-19 Pandemic by comparing the soundness levels of Islamic commercial banks before and during the Covid-19 Pandemic. This research used a quantitative approach with the non-parametric Wilcoxon Signed-Rank Test to compare bank soundness before and during the Covid-19 Pandemic. The bank's resilience was measured using the Risk-Based Bank Rating (RBBR), e.g., Non-Performing Finance (NPF), Finance to Deposit Ratio (FDR), Capital Adequacy Ratio (CAR), and Net Operating Margin (NOM). The study exempted aspects of Good Corporate Governance since it is qualitative. The study used quarterly data in 2018-2019 (before the pandemic) and 2020-2021 (during the pandemic). The results showed a significant difference between CAR before and during the Covid-19 Pandemic. Meanwhile, NPF, FDR, ROA, and NOM showed no significant differences before and during the Covid-19 Pandemic. Based on the results, it can be concluded that the Covid-19 Pandemic generally does not affect the Islamic banks' soundness level, except for capital. It showed that the Islamic Bank proved to be resilient against crises. The study adds literature on the resilience of Islamic banks, particularly during the Covid-19 Pandemic, and validates the RBBR measurement to analyze the bank's soundness. In addition, the results of this study are also expected to be a consideration for policymakers to design the right policies for optimizing Islamic banks to thrive and support post-pandemic recovery.

Keywords: *Islamic Bank; Soundness Level; Covid-19 Pandemic*

Abstrak

Artikel ini bertujuan untuk menganalisis dampak pandemic Covid-19 terhadap tingkat kesehatan bank syariah di Indonesia, dengan membandingkan tingkat Kesehatan Bank Umum Syariah sebelum dan selama pandemic. Penelitian ini menggunakan pendekatan kuantitatif



dengan menggunakan non-parametrik Wilcoxon Signed-Rank test untuk membandingkan tingkat kesehatan bank syariah. Pada penelitian ini, tingkat Kesehatan bank diukur dengan metode Risk-Based Bank Rating (RBBR) dengan menganalisis Non-Performing Finance (NPF), Finance to Deposit Ratio (FDR), Capital Adequacy Ratio (CAR), dan Net Operating Margin (NOM), dan mengecualikan aspek Good Corporate Governance yang bersifat kualitatif. Penelitian ini menggunakan data kuartal tahun 2018-2019 (sebelum pandemic) dan 2020-2021 (selama pandemi). Hasil penelitian menunjukkan bahwa terdapat perbedaan pada CAR bank syariah di Indonesia antara sebelum dan selama pandemi. Sementara itu tidak terdapat perbedaan pada NPF, FDR, dan NOM. Sehingga dapat disimpulkan bahwa tingkat Kesehatan bank syariah di Indonesia tidak terdampak oleh pandemi, kecuali pada sisi permodalan yang justru mengalami peningkatan. Terbukti bahwa Bank Syariah tahan terhadap krisis. Penelitian ini menambah literatur terkait ketahanan Bank Syariah terhadap pandemi dan memvalidasi metode RBBR dalam mengukur tingkat Kesehatan bank. Selain itu, hasil penelitian diharapkan dapat menjadi pertimbangan bagi pemerintah dalam Menyusun kebijakan yang dapat mendukung pengembangan bank syariah dalam upaya pemulihan ekonomi pasca pandemi.

Keywords: *Bank Syariah; Tingkat Kesehatan Bank; Pandemi Covid-19*

INTRODUCTION

Since the beginning of the emergence of Islamic banking, the industry has continued to increase. Islamic banking operates based on the prohibition of interest and the profit and loss sharing system (El-Chaarani et al., 2022). Unlike the conventional interest-based banking system, Islamic banking operates its entire operation freely from the interest system. The emergence of Islamic banking has also made many researchers interested in researching its performance and resilience. Nosheen dan Rashid (2021) found that the dual banking system was more stable due to the role of Islamic banking. The characteristics of Islamic banking that directly deal with the real sector, an interest-free system, and the prohibition of speculation make Islamic banks more resilient and protected than conventional ones. Moreover, Islamic banks' fair and just practices based on Islamic tenets make them superior to conventional ones (Ulina & Majid, 2020).

In facing crises, Islamic banking generally is more resilient and capable of protecting its profitability (Mirzaei et al., 2022). An interest-free banking system is more stable than conventional banking systems (Aydemir et al., 2022; Nabi et al., 2022). Moreover, Farooq & Zaheer (2015) explained that Islamic bank branches and Islamic branches of conventional banks attract more deposits and grant more loans during financial panics. It proved that Islamic banks are more resilient compared to conventional ones.



At the end of 2019, the world was shocked by the emergence of the Covid-19 Pandemic. The pandemic was first detected in Wuhan City, Hubei, China, on December 31, 2019. Since then, the virus has begun to spread rapidly worldwide, including in Indonesia. Covid-19 cases were first detected in Indonesia on March 15, 2020 (Djalante et al., 2020). Our World in Data has recorded a total number of Covid-19 cases in Indonesia has reached 6.11 million, and deaths due to this virus have been recorded at 157 thousand people. Undoubtedly, the Covid-19 Pandemic has impacted all aspects of life in developed and developing countries, including the banking sector and Islamic banking (El-Chaarani et al., 2022). Moreover, the Islamic banking system across the country suffers the COVID-19 shock (Le et al., 2022). In Indonesia, the pandemic affected companies' financial stability, particularly those listed on the Jakarta Islamic Index (Trisnowati et al., 2021). Furthermore, the pandemic also slightly shaken Islamic banking negatively (Arafat et al., 2021; Wijana & Widnyana, 2022).

In measuring the condition of Islamic banking, mainly to measure the impact of the pandemic, one of the indicators is the soundness level. The bank soundness level is considered a bank's ability to carry out operational activities and fulfill all obligations it has properly per applicable regulations. Based on Bank Indonesia Regulation No. 13/1/PBI/2011, the bank's soundness level is measured using the Risk-Based Bank Rating (RBBR) method. It consists of aspects of the risk profile: credit and liquidity risk, good corporate governance (GCG), rentability or profitability, and capital (Bayu Indrawan & Wirasedana, 2021; Sunardi, 2019).

Previous studies have researched the influence of the Covid-19 Pandemic on the Islamic banks' soundness level by comparing before and during the Covid-19 Pandemic. Sutrisno et al. (2020) have researched the effect of the Covid-19 Pandemic on the performance of Islamic banks in Indonesia. The results of this study show that the Covid-19 Pandemic significantly impacts the profitability aspects measured using ROE and NOM, as well as the liquidity aspects measured using FDR. Meanwhile, CAR, NPF, ROA, and OEIR were not affected by the Covid-19 pandemic conditions. Azmi et al. (2021) also researched the analysis of the health level of Islamic banks facing the Covid-19 Pandemic. This study's results show no difference between aspects of credit risk and GCG before and during the Covid-19 Pandemic. Meanwhile, profitability and capital significantly differ before and during the Covid-19 Pandemic. Candera and Indah (2021) showed the differences in Islamic banks' NPF, CAR, and ROA before and during the Covid-19 Pandemic.

Meanwhile, Siswantoro (2022) also studied the influence of the COVID-19 pandemic on the health of Islamic banks in Indonesia. The results of this



study showed that only the CAR ratio had significant differences before and during the Covid-19 Pandemic, while NPF, FDR, GCG, and ROA did not have substantial differences. Utami and Makrus (2022) also researched the comparative performance of Islamic commercial banks before and during the Covid-19 Pandemic. The results of this study also showed that there were no significant differences in ROA, FDR, NPF, and BOPO before and during the Covid-19 Pandemic. Sugiharto et al. (2021) studied the impact of the Covid-19 Pandemic on the financial performance of Islamic commercial banks in Indonesia. The results of this study show that NPF, FDR, ROA, and NOM are significantly affected by the Covid-19 Pandemic. Furthermore, Miranti et al. (2022) also mentioned that the pandemic affected the efficiency of Islamic banks, particularly Rural Banks, in Indonesia.

Previous research shows inconsistencies in comparing Islamic banks' soundness levels before and during the Covid-19 Pandemic. Thus, this paper aims to determine the influence of the Covid-19 Pandemic on the Islamic banks' soundness level. It compares the bank's soundness before and during the Covid-19 Pandemic. In addition, this study used a more extended observation period, e.g., from 2018 to 2021. Moreover, the data were from individual bank levels, not industry-level data.

This research contributes to academics and practitioners to add literature related to the resilience of Islamic banks in the face of the Covid-19 Pandemic, which is measured by the bank soundness level through the RBBR approach. In addition, this research also contributes to policymakers or regulators to optimize and design the right policies for Islamic banks to minimize the adverse impact of the Covid-19 Pandemic.

LITERATURE REVIEW

The Islamic Bank soundness level based on POJK Number 8/POJK.03/2014 is the risk assessment of the Islamic Bank performance, including Sharia implementation, called Risk Based Bank Rating (RBBR). The evaluation is performed in several aspects, i.e., risk profile, good corporate governance (GCG), profitability, and capital. The risk profile is assessed inherent risks and the application of risk management in the bank's operational activities, including credit risk and liquidity risk. Credit risk can be measured using the Non-Performing Financing (NPF) ratio, while liquidity risk uses the Financing to Deposit Ratio (FDR). NPF is used to assess Islamic banks' ability to manage non-performing financing (Azmi et al., 2021), while FDR is a ratio used to analyze the ability of Islamic banks to channel financing from the total third-party funds raised (Prasidha & Wahyudi, 2020).



The GCG aspect assesses the quality of bank management based on GCG principles. Meanwhile, the profitability aspect assesses bank profitability's performance, funding, sustainability, and governance (Sunardi, 2019). The profitability aspect can be measured using the Return on Assets (ROA) dan Net Operating Margin (NOM) ratios. ROA measures the company's effectiveness in generating profits by utilizing its assets (Santoso & Samboro, 2022). Meanwhile, NOM is used to see how many Islamic banks can manage all their productive assets to generate net income (Munandar, 2020).

Meanwhile, the capital aspect is an assessment of capital factors, including an evaluation of capital adequacy and the adequacy of capital management. This aspect of capitalization can be measured using the Capital Adequacy Ratio (CAR) ratio. This ratio is used to measure the capital adequacy of Islamic banks in bearing non-performance assets (Prasidha & Wahyudi, 2020).

HYPOTHESIS

Nabi et al. l (2022) state that Islamic banks have better resilience to external conditions than conventional banking. Likewise, during the Covid-19 Pandemic, Islamic banks are considered superior to conventional banks both before and during the Covid-19 Pandemic (Wijana & Widnyana, 2022). These studies proved that Islamic banks in Indonesia are deemed to have good resilience in facing economic shocks due to the pandemic. Therefore, based on several previous studies that researched comparing the health levels of Islamic banks before and during the Covid-19 Pandemic Sutrisno et al. (2020); Azmi et al. (2021); Candra and Indah (2021); Siswantoro (2022); Utami and Makhrus (2022), and Sugiharto et al. (2021) then the hypothesis in this study can be written as follows:

H1: There is no difference in the Islamic bank's soundness level before and during the COVID-19 pandemic in Indonesia.

METODE

This study aims to see how the soundness of Islamic banks differs before and during the Covid-19 Pandemic in Indonesia. The soundness level of Islamic banks is measured using the RBBR method, including credit risk, liquidity risk, profitability, and capital aspects. Non-Performing Finance (NPF), Financing to Deposit Ratio (FDR), Return of Assets (ROA), Net Operating Margin (NI), and Capital Adequacy Ratio (CAR) ratio are the financial ratio used. The Good Corporate Governance aspect was not used in this study

because this aspect could not be measured quantitatively. Based on these explanations, the research method used in this study is quantitative.

This study uses secondary data obtained from the quarterly financial statements of Islamic commercial banks, especially in the financial ratio statement section. The sample was taken using the purposive sampling technique: Islamic commercial banks in Indonesia with financial statements from 2018 to 2021. Based on this, there are 12 Islamic commercial banks, e.g., Bank Aceh Syariah, Bank Muamalat Indonesia, Bank Victoria Syariah, BRI Syariah, Bank Jabar Banten Syariah, BNI Syariah, Bank Syariah Mandiri, Bank Mega Syariah, Bank Panin Dubai Syariah, Bank Syariah Bukopin, BCA Syariah, and Bank Tabungan Pensiunan Nasional Syariah.

Hypothesis testing in this study was carried out using the Paired Sample t-Test for normally distributed data or the Wilcoxon Signed Rank Test for non-normally distributed data. The Paired Sample T-Test or Wilcoxon Signed Rank Test was used in this study because the hypothesis compares Islamic banks' health levels before and during the Covid-19 Pandemic in Indonesia. Data normality testing was carried out with the Kolmogorov-Smirnov test due to the sufficient number of samples and more than 50 samples (Azmi et al., 2021). The research model in this study is shown in Figure 1. This study uses data on the Islamic Banks' soundness as measured using the RBBR method, including credit risk, liquidity risk, profitability, and capital aspects. Credit risk is calculated using the Non-Performing Finance (NPF) ratio to assess the level of ability of Islamic banks to manage non-performing financing (Azmi et al., 2021).

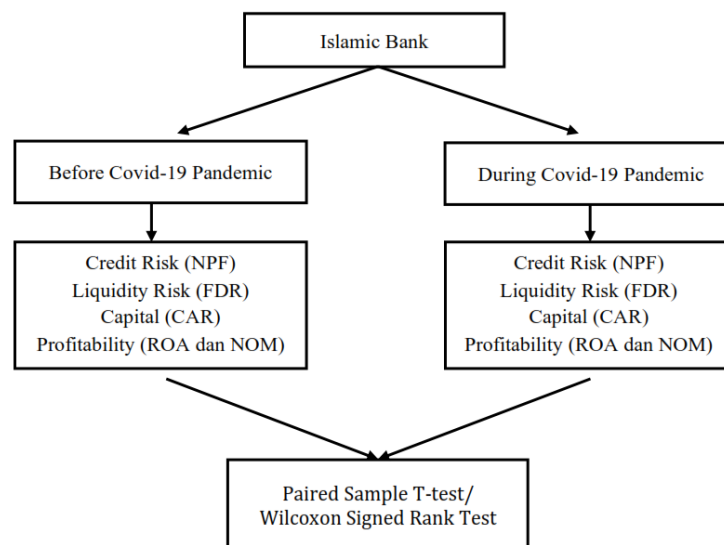


Figure 1. Research Model
Source: Authors Processed (2021)



Table 1. Bank Soundness Level

No.	Ratio	Formulas
1.	<i>Non-Performing Finance (NPF)</i>	$\frac{\text{Non – Performing Financing}}{\text{Total Financing}} * 100\%$
2.	<i>Financing to Deposit Ratio (FDR)</i>	$\frac{\text{Total Financing}}{\text{Total Third Party Funds}} * 100\%$
3.	<i>Return of Assets (ROA)</i>	$\frac{\text{Net Income}}{\text{Total Asset}} * 100\%$
4.	<i>Net Operating Margin (NOM)</i>	$\frac{\text{Net Income}}{\text{Total Asset}} * 100\%$
5.	<i>Capital Adequacy Ratio (CAR)</i>	$\frac{\text{Tier 1 + Tier 2 Capital}}{\text{ATMR}} * 100\%$

Source: (Azmi et al., 2021), (Munandar, 2020).

Liquidity risk is measured using the Financing to Deposit Ratio (FDR) ratio to assess the ability of Islamic banks to channel financing from the total third-party funds raised (Prasidha & Wahyudi, 2020). The profitability aspect or rentability is measured using Return on Assets (ROA) and Net Operating Margin (NOM). The ROA ratio shows Islamic banks' ability to generate profits from managing assets owned (Azmi et al., 2021). Meanwhile, the NOM ratio shows how much Islamic banks can manage all their productive assets to create an excellent net income (Munandar, 2020). The capital aspect is measured using the Capital Adequacy Ratio (CAR) ratio to assess the capital adequacy of Islamic banks in bearing risky assets (Prasidha & Wahyudi, 2020). Formulas to calculate each ratio can be seen in Table 1.

RESULT AND DISCUSSION

Descriptive Analysis

Table 2 shows a descriptive analysis of each ratio of 12 Islamic commercial banks. Based on the descriptive results of the study, BCA Syariah is an Islamic bank with the lowest average value and standard deviation of NPF compared to other Islamic commercial banks. Then the Bukopin Islamic Bank with the highest FDR average value but with a standard deviation value that is also high. BTPN Syariah is an Islamic bank with the highest average CAR, ROA, and NOM compared to other Islamic banks. However, the standard deviation value in the CAR ratio is also relatively high.

Table 2 Descriptive Analysis

Ratio	Bank Name	Mean	Standard Deviation	Minimum	Maximum
NPF	Bank Aceh Syariah	1.61	0.24	1.04	1.97
	Bank Muamalat Indonesia	4.53	1.46	0.67	5.70



Ratio	Bank Name	Mean	Standard Deviation	Minimum	Maximum
	Bank Victoria Syariah	5.06	1.75	1.91	9.54
	BRI Syariah	4.36	1.11	2.93	6.73
	Bank Jabar Banten Syariah	7.45	6.84	3.42	22.29
	BNI Syariah	3.20	0.29	2.90	3.90
	Bank Syariah Mandiri	3.07	0.46	2.44	3.97
	Bank Mega Syariah	2.12	0.82	1.08	4.33
	Bank Panin Dubai Syariah	4.84	2.16	1.19	11.28
	Bank Syariah Bukopin	6.91	0.82	5.71	8.83
	BCA Syariah	0.66	0.22	0.35	1.20
	BTPN Syariah	1.74	0.38	1.30	2.38
FDR	Bank Aceh Syariah	68.24	4.80	57.04	73.77
	Bank Muamalat Indonesia	70.53	10.59	38.33	88.41
	Bank Victoria Syariah	74.64	8.85	55.73	90.60
	BRI Syariah	80.01	6.56	68.70	92.10
	Bank Jabar Banten Syariah	92.32	4.40	81.55	100.67
	BNI Syariah	75.89	4.86	68.79	87.07
	Bank Syariah Mandiri	76.43	2.61	73.39	81.63
	Bank Mega Syariah	82.78	16.05	56.28	99.23
	Bank Panin Dubai Syariah	99.48	9.56	87.90	118.94
	Bank Syariah Bukopin	117.30	39.32	82.93	196.73
	BCA Syariah	88.61	3.85	81.32	96.39
	BTPN Syariah	95.60	1.89	92.16	98.68
CAR	Bank Aceh Syariah	19.46	1.00	18.11	21.71
	Bank Muamalat Indonesia	13.81	3.02	10.16	23.76
	Bank Victoria Syariah	23.07	4.53	18.04	33.21
	BRI Syariah	24.60	3.33	19.04	29.79
	Bank Jabar Banten Syariah	18.46	3.50	14.35	24.14
	BNI Syariah	20.24	1.60	18.23	23.10
	Bank Syariah Mandiri	18.04	2.77	15.59	23.10
	Bank Mega Syariah	21.96	2.44	19.28	28.79
	Bank Panin Dubai Syariah	22.85	6.33	14.46	31.43
	Bank Syariah Bukopin	18.68	3.22	14.46	24.11
	BCA Syariah	35.68	8.18	24.27	45.26
	BTPN Syariah	43.89	7.40	27.24	58.10
ROA	Bank Aceh Syariah	2.09	0.34	1.58	2.51
	Bank Muamalat Indonesia	0.09	0.13	0.02	0.49
	Bank Victoria Syariah	0.30	0.26	0.02	0.80
	BRI Syariah	0.92	0.50	0.31	1.72
	Bank Jabar Banten Syariah	0.53	0.19	0.06	0.96
	BNI Syariah	1.63	0.25	1.33	2.24
	Bank Syariah Mandiri	1.44	0.34	0.79	1.73
	Bank Mega Syariah	1.60	1.13	0.65	4.08
	Bank Panin Dubai Syariah	-0.26	1.67	-6.72	0.26
	Bank Syariah Bukopin	-0.28	1.34	-5.48	0.21
	BCA Syariah	1.02	0.10	0.87	1.17
	BTPN Syariah	11.24	2.36	5.80	13.58
NOM	Bank Aceh Syariah	0.66	1.74	-4.18	2.04
	Bank Muamalat Indonesia	0.16	0.17	0.04	0.66
	Bank Victoria Syariah	0.60	0.50	0.01	1.87



Ratio	Bank Name	Mean	Standard Deviation	Minimum	Maximum
	BRI Syariah	0.37	0.93	-0.97	1.92
	Bank Jabar Banten Syariah	0.19	0.15	0.01	0.5
	BNI Syariah	1.15	0.47	0.54	1.92
	Bank Syariah Mandiri	1.57	0.36	0.89	1.92
	Bank Mega Syariah	1.09	0.76	0.06	2.37
	Bank Panin Dubai Syariah	-0.40	1.81	-7.37	0.24
	Bank Syariah Bukopin	-0.64	1.41	-6.07	0
	BCA Syariah	1.08	0.15	0.68	1.24
	BTPN Syariah	12.26	2.65	6.2	14.97

Source: Processed Data (2022)

Normality Test

The results of the data normality test with Kolmogorov Smirnov in this study can be seen in Table 3 below. The data is normally distributed when the sig value is Kolmogorov Smirnov > 5%. Meanwhile, if the sig value. Kolmogorov Smirnov < 5%, then it can be said that the data is not normally distributed, so hypothesis testing needs to be done with non-parametric tests, Wilcoxon Signed Rank Test (Syarief Iskandar et al., 2021).

Table 3. Normality Test

Variable	Sig.	Conclusion	Hypothesis Testing
NPF Before Pandemic	0.000	Not Normally Distributed	<i>Wilcoxon Signed-Rank Test</i>
NPF During Pandemic	0.053	Normally Distributed	<i>Wilcoxon Signed-Rank Test</i>
CAR Before Pandemic	0.000	Not Normally Distributed	<i>Wilcoxon Signed-Rank Test</i>
CAR During Pandemic	0.000	Not Normally Distributed	<i>Wilcoxon Signed-Rank Test</i>
FDR Before Pandemic	0.002	Not Normally Distributed	<i>Wilcoxon Signed-Rank Test</i>
FDR During Pandemic	0.000	Not Normally Distributed	<i>Wilcoxon Signed-Rank Test</i>
ROA Before Pandemic	0.000	Not Normally Distributed	<i>Wilcoxon Signed-Rank Test</i>
ROA During Pandemic	0.000	Not Normally Distributed	<i>Wilcoxon Signed-Rank Test</i>
NOM Before Pandemic	0.000	Not Normally Distributed	<i>Wilcoxon Signed-Rank Test</i>
NOM During Pandemic	0.000	Not Normally Distributed	<i>Wilcoxon Signed-Rank Test</i>

Source: Processed Data (2022)

Table 4. Wilcoxon Signed-Rank Test Result

Variable	Sig.	Conclusion
NPF Before Pandemic	0,786	There is no significant difference
NPF During Pandemic		
CAR Before Pandemic	0,000*	There is a significant difference
CAR During Pandemic		
FDR Before Pandemic	0,173	There is no significant difference
FDR During Pandemic		
ROA Before Pandemic	0,365	There is no significant difference
ROA During Pandemic		
NOM Before Pandemic	0,257	There is no significant difference
NOM During Pandemic		

* Significant at 5%

Source: Processed Data (2022)



Hypothesis Test

This study aims to see whether there are differences in Islamic banks' soundness before and during Indonesia's Covid-19 pandemic. Table 4 shows the results of hypothesis testing using the Wilcoxon Signed Rank Test. The Wilcoxon Signed-Rank Test results showed that the sig value for the NPF, FDR, ROA, and NIM ratio is more significant than 0.05. There is no difference between Islamic banks' NPF, FDR, ROA, and NOM ratios before and during the Covid-19 Pandemic in Indonesia. Meanwhile, the CAR ratio has a sig value smaller than 0.05. Hence, before and during Indonesia's Covid-19 pandemic, there was a difference.

Discussion

This study aims to determine the influence of the Covid-19 Pandemic on Indonesian Islamic banks by comparing their soundness level before and during the pandemic. The soundness level was measured using the Risk-Based Bank Rating (RBBR) approach. It includes the NPF ratio for credit risk aspects, FDR ratio for liquidity risk aspects, CAR ratio for capital aspects, and ROA and NOM ratios for profitability. The analysis showed that out of the five ratios measured, and four ratios did not significantly differ before and during the Covid 19 Pandemic. Only the CAR ratio significantly differed before and during the Covid 19 Pandemic.

Credit Risk

The NPF ratio is a ratio that measures credit risk in the bank's health level, which shows the ability of Islamic banks to manage non-performing financing. The higher the value of this ratio indicates, the lower the ability of Islamic banks to manage non-performing financing (Azmi et al., 2021). The results of data analysis in this study showed no significant difference in the NPF ratio before and during the Covid-19 Pandemic in Indonesia. It shows that the Covid-19 Pandemic in Indonesia has had no impact on the ability of Islamic banks to manage non-performing financing. These results are consistent with the research of (Sutrisno et al., 2020); (Azmi et al., 2021); (Siswantoro, 2022); Utami and Makhrus (2022); and Sugiharto et al. (2021), who also found that there was no difference in the NPF ratio before and during the Covid-19 Pandemic. However, this result opposes Rifqi & Condro (Muhammad & Triharyono, 2019), who found a difference in NPF before, during, and after the global financial crisis of 2008. It is due to government policies related to financing relaxation, such as lowering interest rates and delaying installment payments as stipulated by the Financial Services Authority Regulation No. 11



/ POJK.03 / 2020 concerning National Economic Stimulus as a Countercyclical Policy impacting the Spread of Coronavirus Disease 2019 (Azmi et al., 2021).

Liquidity Risk

The FDR ratio measures liquidity risk in the bank's soundness, which shows Islamic banks' ability to channel financing from the total third-party funds raised (Prasidha & Wahyudi, 2020). The data analysis results in this study show no significant difference in the ratio of FDR before and During the Covid-19 Pandemic in Indonesia. It indicates that the Covid-19 Pandemic that occurred in early 2020 in Indonesia has had no impact on the ability of Islamic banks to channel financing from the total third-party funds raised. This result is consistent with several previous studies from Siswantoro (2022) and Utami and Makhrus (2022), which also found no difference in the ratio of FDR before and during the Covid-19 Pandemic. Bank Indonesia's (2020) statement in the 2020 Islamic Economy and Finance Report showed that despite a slowdown in lending in general due to the Pandemic, Islamic financing disbursements are still resilient and growing positively. This growth was driven by financing in nine business fields, including the agricultural and fisheries sectors.

Furthermore, Bank Indonesia (2020) explained that a link and match had been created between the needs of the Islamic economy and Sharia financing from the sectoral side of the business, including Islamic bank financing. Thus, the FDR's ratio remains stable despite the Covid-19 Pandemic. It can be seen that the standard deviation value of the 12 Islamic commercial banks studied tends to be low, which means it is not too volatile from 2018 to 2021. Only 2 (two) Islamic commercial banks have a relatively large standard deviation value, i.e., Bank Muamalat Indonesia and Bank Mega Syariah. Besides, Hasan et al. (2021) also explained that the pandemic drives customers to deposit in Wadiah products, considered safe, rather than in investment funds, thus increasing the number of Islamic bank funding.

Capital Aspect

The CAR ratio measures the capital aspect in the bank soundness level that shows Islamic banks' capital adequacy in bearing risky assets (Prasidha & Wahyudi, 2020). The data analysis results showed that there are significant differences in the ratio of CAR before and during the COVID-19 pandemic in Indonesia. Hence, Indonesia's Covid-19 pandemic has affected the capital aspects of Islamic banks. These results are inconsistent with some previous studies from Azmi et al.(2021), Candra and Indah (2021), and Siswantoro (2022), who found that there was no difference in the ratio of CAR before and during the Covid-19 Pandemic. But, this result is consistent with Muhammad



& Triharyono (2019) that CAR was different before, during, and after the global financial crisis. Moreover, Nofinawati et al. (2021) mentioned that the CAR had a positive value and growth during the pandemic. Furthermore, the CAR affected the profitability of the Islamic Bank (Wahyudi et al., 2021).

Table 5. Rank Wilcoxon Signed Ranked Test

CAR_During Pandemic	-Negative Ranks	27*	Mean 39.52
CAR_Before Pandemic	Positive Ranks	69**	Mean 52.01
	Ties	0***	
	Total	96	

* CAR During Pandemic < CAR Before Pandemic

** CAR During Pandemic > CAR Before Pandemic

*** CAR During Pandemic = CAR Before Pandemic

Source: Processed Data (2022)

Based on the results of the Wilcoxon Signed Rank Test in table 5, it can be seen that the ranking of the increase in the CAR ratio of Islamic banks during the pandemic is higher than before. After the emergence of the Covid-19 Pandemic in Indonesia, there was an increase in the CAR ratio of Islamic banks. According to Azmi et al. (2021), this is due to the capital owned by Islamic banks that has not been channelled for financing. Islamic banks are still very cautious in responding to the conditions of the Covid-19 Pandemic. Banks prevent the high risk of non-performance financing.

Profitability

The ROA and NOM measure the profitability aspect of the bank's soundness. It measured the company's effectiveness in generating profits by utilizing its assets (Santoso & Samboro, 2022) and how much it can manage all its productive assets to create an excellent net income (Munandar, 2020). The data analysis results in this study show no significant difference in the ratio of ROA and NOM before and during the Covid-19 Pandemic in Indonesia. It indicates that the Covid-19 Pandemic in Indonesia does not affect the profitability aspects of Islamic banks. This result is consistent with several previous studies, i.e., by Sutrisno et al. (2020), Siswantoro (2022), and Utami and Makhrus (2022), for the ROA ratio. However, the NOM ratio of these results is inconsistent with several studies, Sutrisno et al. (2020); and Sugiharto et al. (2021). It is due to the extended study period, and in 2021 economic conditions in Indonesia have begun to return to stability. In addition, the inconsistency is also due to the data difference. Sugiharto et al. (2021) research use monthly industry data, while this study uses quarterly bank data.



The ROA and NOM ratios indifferences were also supported by a descriptive analysis that showed a value that tended to be low in the standard deviation of the ROA and NOM ratios in the 12 samples of Islamic commercial banks. From 2018 to 2021, the profitability ratios are relatively stable despite of Covid-19 Pandemic and its impact on almost all aspects of people's lives. Hence, the profitability of Islamic banks is not affected by the Covid-19 Pandemic conditions. Thus, Islamic Bank's performance was generally indifferent before and during the pandemic. Despite of Pandemic and its aftereffects, Islamic Banks are still safe and sound. Moreover, the pandemic did not affect Islamic Banking efficiency in Indonesia (Khoirunnisa & Aliludin, 2021). However, according to Fakhri & Darmawan (2021), Islamic banks classified in BUKU 2 are vulnerable to the pandemic; thus, they must improve their liquidity to reduce the future external condition impact'.

CONCLUSION

This research aims to compare the soundness level of the Islamic Bank in Indonesia before and during the Covid-19 Pandemic. It uses a quantitative approach with the non-parametric Wilcoxon Signed-Rank Test. The soundness of Islamic Banks in Indonesia, particularly during the Covid-19 Pandemic, measured by financial ratio, e.g., NPF, CAR, ROA, and NOM, showed no difference before and during the pandemic except for CAR. CAR of Islamic Banks showed higher levels during the pandemic than in prior conditions. However, the study only used a short period, 2018-2021. Hence, future research could apply a more extended period and try to use industrial data. The study adds literature on the resilience of Islamic banks, particularly during the Covid-19 Pandemic, as measured by its soundness through the Risk-Based Bank Rating (RBBR) approach. It validated the RBBR measurement to analyze the bank soundness. In addition, the results of this study are also expected to be a consideration for policymakers or regulators to design the right policies for optimizing Islamic banks to thrive more and support post-pandemic recovery. Islamic Banks proved to be resilient against crises, either financial or pandemic.

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