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## Does bank health matter after converted to sharia? Case study of bank Aceh

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### Abstract

The health of a bank is a reflection of bank ability to continue to operate with good performance. This study examined the differences in bank health and the trend of bank health before and after being converted into Islamic banks. This study used quarterly financial statements data from 2012 to 2020, with 18 observations before converting and 18 observations after converting into Islamic banks. The results showed that bank health was lower when operating under the Islamic system compared to under a conventional system. Others showed that there was no difference in the trend of bank health based on the Islamic system and the non-Islamic system. The lower of bank health after being converted to Islamic banks showed that the efficiency of banks was lower after being converted than before being converted to Islamic. Islamic bank management needs to increase attention to improve bank efficiency by optimally utilizing assets.

**Keywords:** Bank health, return on assets, operating expenses to operation revenue, capital adequacy Ratio

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## INTRODUCTION

The Government of Aceh has issued a *Qanun (Perda)* to convert Bank Aceh from conventional to Islamic system (*Pemerintah Aceh*, 2014). This regional regulation aims to create an Islamic Aceh economy, become a driver of economic growth, raise funds and provide financing, and carry out other banking functions based on Islamic principles. The conversion of Bank Aceh from a conventional to an Islamic bank has raised questions about whether the bank's health will become healthier after being converted or vice versa. It is interesting to study because the findings of previous studies showed that Islamic banks were more stable, especially in bad economic conditions compared to conventional banks (Heniwati et al., 2021). Islamic banks are more stable in the face of economic turmoil because Islamic banks collect funds through two deposits, namely, demand deposits (*Amanah* or *Qard*), and investment deposits (Miah and Uddin, 2017). In addition, the people of Aceh are religious and prioritize Islamic principles in transactions encourages the improvement of the health of regional banks in Aceh to be healthier when they are already operating according to sharia compared to when they were still operating conventionally.

Islamic banks are conceptually and practically different from conventional banks. Islamic bank is a bank that operates based on Islamic principles, namely free from Usury, uncertainty (*gharar*), and unjust (Anggraini et al., 2017). Islamic banks are based on profit- and loss sharing (Beck et al., 2013). In contrast, conventional banks operate based on the interest system. Different systems have different impacts on the health of banks. This study aimed to compare the health of Islamic banks with conventional banks. The health of a bank is a reflection of the condition and ability of the bank to continue to operate with good performance. The better the health of a bank, the better and more stable the bank finances are. Therefore, the health of a bank plays an important role in ensuring bank stability.

Various empirical evidence in Indonesia regarding the health levels comparisons between conventional and Islamic banks still showed mixed results. Previous studies have documented significant differences in the bank health between conventional and Islamic banks (Amalia, 2018; Zettyra and Mutia, 2019). On the other hand, Sugari et al. (2015) and Safitri et al. (2021) showed no significant differences in the bank health of Islamic and conventional banks. This study examined the same issue by emphasizing the examination of differences in the bank health at Bank Aceh that used to operate under a conventional system and now operates under the Islamic system. However, research on the health bank level in a bank that has operated under conventional and Islamic systems is still limited. In addition, based on the best knowledge of researchers, research on predictions and differences in predicting the bank health between the conventional and the Islamic systems is still rare. This study examined this as additional empirical evidence using earnings and capital indicators. Earnings were proxied by Return on Assets (ROA), Operating Expenses to Operating Revenue (BOPO), and Capital was proxied by the Capital Adequacy Ratio (CAR). These three proxies were suitable because they exist in both banking systems.

This study provided empirical evidence about the comparison of the health of Bank Aceh that has operated under conventional and Islamic systems and the difference in the prediction of bank health between the conventional and Islamic systems. The findings showed that the health of Bank Aceh was lower under the Islamic system than under a conventional system. Furthermore, the systematics of this study were literature review, research methods, results and discussions, and conclusions.

## The Differences between the health of conventional and Islamic banks

### Return on assets (ROA)

Return on Assets (ROA) is a ratio to measure the company's ability to generate net income based on the level of assets used. The higher the Return On Assets (ROA), the higher the profit generated. In other words, Return on Assets (ROA) shows the level of asset efficiency in generating profits (Heniwati et al., 2021). In addition, a high profitability ratio indicates a lower risk of intervention (Rashid et al., 2017). The Return On Assets (ROA) of Islamic banks is different from the ROA of conventional banks because of the differences in the banking system they operate.

Past studies documented that the Return On Assets (ROA) of Islamic banks was different from conventional banks (Sulistianingsih & Maivalinda, 2018, and Safitri et al., 2021). Another study documented that the average Return on Average Assets (ROAA) of Islamic banks was higher than conventional banks (Bourkhis and Nabi, 2013). A study in Pakistan proved that Islamic bank returns were higher than conventional banks (Aziz et al., 2016). In line with these studies, other research in Saudi Arabia showed that Islamic banks were more profitable and significantly different than conventional banks (Aljahdali and Faleel, 2021). Higher profitability (ROA) indicates better efficiency and effectiveness of using bank resources to generate profits.

**H1:** The average ROA of banks after conversion was higher than before being converted to Islamic bank

### Operating expenses to operating revenue (BOPO)

Operating Expenses to Operating Revenue (BOPO) is a ratio that describes the efficiency of banks in carrying out their activities. Thus, the lower the operational burden of a bank, the more efficient the bank's operations will be. The more efficient a bank, the lower the risk of bankruptcy that will be experienced by the bank while showing better asset quality (Fatoni and Sidiq, 2019).

High operating expenses indicate that the bank has low financial stability (Heniwati, 2019). In other words, banks with high operating expenses have a low health level than banks with lower operating expenses. Miah and Sharmeen (2015) and Sugari et al. (2015) showed that conventional bank was more efficient in managing costs than Islamic bank. Another study documented that Islamic bank which have high complexity and younger age result in lower efficiency and higher costs compared to conventional bank (Beck et al. (2013).

**H2:** The average BOPO after conversion was higher than before being converted to an Islamic bank

## 9 Capital adequacy ratio (CAR)

Capital Adequacy Ratio (CAR) describes a bank's ability to meet its obligations in times of economic pressure (Majeed and Zainab, 2021). CAR is a ratio used to measure capital adequacy used to guarantee assets that contain or generate risk. The higher the CAR of a bank, the more flexibility the bank has to choose profitable investments (Yusuf and Sutratmadja, 2018). Capital Adequacy Ratio (CAR) describes the ability of bank management to identify, measure, and control risks arising from the capital owned (Pracoyo and Putriyanati, 2016). Therefore, the Capital Adequacy Ratio (CAR) is an important criterion for assessing the soundness of a bank (Bourkhis and Nabi, 2013).

Islamic banks have a different system from conventional banks that provide financing with a usury-free system and profit and loss sharing systems (Beck et al., 2013). In contrast, conventional banks disburse loans based on interest. Therefore, the CAR of Islamic banks will be different from the CAR of conventional banks. Previous research conducted by Rahmi (2019) proved that the Capital Adequacy Ratio (CAR) was different between Islamic banks and conventional banks. Furthermore, Beck et al. (2013) and (Majeed and Zainab, 2021) in Pakistan found that the Capital Adequacy Ratio (CAR) of Islamic banks was higher than conventional banks.

H3: The average CAR after conversion was higher than before being converted to an Islamic bank

## METHOD

### Data

This study used secondary data from net income after tax, assets, equity, Risk-Weighted Assets (RWA), operating costs, and operating income. The required data is obtained through the Financial Statements of Bank Aceh from 2012 to 2020. The financial statements data used were quarterly financial statements data. The financial statements used as a source of research data before being converted into an Islamic bank were the financial statements for the first to fourth quarters of 2012 to 2015 and the financial statements for the first and second quarters of 2016. On the other hand, the financial statements used after being converted into Islamic banks were the financial statements of the 3rd and 4th quarters of 2016 and the 1st to 4th quarters of 2017 to 2020. Because it used quarterly data, with 36 observations consisting of 18 observations before being converted to an Islamic bank and 18 observations after being converted into an Islamic bank accessed through the website of Bank Aceh.

### Measurement variables

The numerical variables tested in this study were Return on Assets (ROA), Operating Costs to Operating Revenue (BOPO), and Capital Adequacy Ratio (CAR). Return on Assets (ROA) is measured by net income after tax divided by total assets (Anggraini et al., 2017; Muchtar et al., 2021, and Bensaadi et al., 2021). Operating Cost to Operating Revenue (BOPO) is measured by operating costs divided by operating income (Muchtar et al., 2021). Capital Adequacy Ratio (CAR) is measured by bank equity divided by Risk-Weighted Assets (RWA) (Anggraini et al., 2017; Muchtar et al., 2021).

This study also used a dummy variable to measure the difference in the value of Return on Assets (ROA), Operating Costs to Operating Revenue (BOPO), and Capital Adequacy Ratio (CAR) between before and after being converted into Islamic banks. The dummy variable used was measured with a value of 0 before being converted into an Islamic bank and 1 for the otherwise.

### Model specification

The data were analyzed using paired sample t-test because the data in this study were paired data before and after being converted into an Islamic bank. Paired sample t-test was used to see the difference in the average (mean) value of Return on Assets (ROA), Operational Costs to Operating Revenue (BOPO), and Capital Adequacy Ratio (CAR) between before and after being converted into Islamic banks.

Furthermore, to provide additional empirical evidence, this study also used regression to analyze the trend of Return on Assets (ROA), Operating Costs to Operating Revenue (BOPO), and Capital Adequacy Ratio (CAR) between before and after being converted into Islamic banks. The model equations used for trend analysis were as follows:

$$Y = \beta_{st0} + \beta_{st1} (Conversion = 0) + \beta_{st2} (Conversion = 1) + \beta_{st3}t * (Conversion = 0) + \beta_{st4}t * (Conversion = 1) + \epsilon_{st}$$

Y as ROA, BOPO, and CAR respectively, and Conversion=0 is before being converted into the Islamic bank, and conversion=1 is after being converted to the Islamic bank. T is time,  $\beta_{st0} \dots \beta_{st4}$  is the regression coefficient, and  $\epsilon_{st}$  is error term. The difference in the trend of Return on Assets (ROA), Operating Costs to Operating Revenue (BOPO), and Capital Adequacy Ratio (CAR) before and after being converted into Islamic banks was carried out by using the Wald test.

## RESULT AND DISCUSSION

### Descriptive statistics

This study examined the difference in the average return on assets (ROA), Operating Costs to Operating Revenue (BOPO), and Capital Adequacy Ratio (CAR) between before and after being converted into the Islamic banks at Bank Aceh. In addition, this study also examined the differences in the trend of Return on Assets (ROA), Operating Costs to Operating Revenue (BOPO), and Capital Adequacy Ratio (CAR) before and after being converted into Islamic banks. The average, median, maximum, minimum, and standard deviation values of the return on assets (ROA) variables, Operating Costs to Operating Revenue (BOPO), and Capital Adequacy Ratios can be seen in Table 1.

**Table 1. Descriptive statistics of numerical variables**

Variables	Average	Median	Max	Min	Std. Dev	Obs
<b>PANEL A. All</b>						
ROA	0.027681	0.027400	0.050700	0.004100	0.009879	36
BOPO	0.758325	0.764150	0.944300	0.574700	0.080964	36
CAR	0.193296	0.194021	0.225900	0.103200	0.023629	36
<b>PANEL B. Before Conversion</b>						
ROA	0.034622	0.033850	0.050700	0.024900	0.006619	18
BOPO	0.704867	0.711350	0.813200	0.574700	0.058610	18
CAR	0.190748	0.185622	0.223651	0.162288	0.021061	18
<b>PANEL C. After Conversion</b>						
ROA	0.020739	0.023450	0.034000	0.004100	0.007420	18
BOPO	0.811783	0.802950	0.944300	0.696900	0.063316	18
CAR	0.195844	0.199550	0.225900	0.103200	0.026309	18

Notes: ROA is Return on Assets; BOPO is Operating Expenses to Operating Revenue; CAR is the Capital Adequacy Ratio.

Based on Table 1, the average value of ROA in all data was 0.027681, and the average value of ROA before and after being converted into Islamic banks was 0.034622 and 0.020739, respectively. The maximum value of ROA before the conversion was 0.050700, and after conversion was 0.034000. Meanwhile, the minimum ROA value before the conversion was 0.024900 and after conversion to the Islamic bank was 0.004100. The standard deviation of ROA before the conversion was lower than after conversion, which was 0.006619 and 0.007420, respectively. The average value of BOPO before being converted was 0.704867, and after conversion was 0.811783. Thus, the average BOPO after being converted was higher than before being converted to an Islamic bank. Besides, the standard deviation value after being converted to an Islamic bank was higher than before being converted to an Islamic bank. The standard deviation value after conversion was higher than before conversion to an Islamic bank. It indicated that the fluctuation in the BOPO value after being converted was higher than before being converted to an Islamic bank. Furthermore, the average value of CAR before being converted was 0.190748 and after being converted was 0.195844. The standard deviation of the CAR between before and after conversion was almost the same, namely 0.021061 and 0.026309, respectively.

### Differences in ROA before and after being Converted to the Islamic Bank

Table 2 presented t-test values to see the differences in the average values of Return on Assets (ROA), Capital Adequacy Ratio (CAR), and Operating Costs to Operating Revenue (BOPO) of Bank Aceh before and after being converted the Islamic bank. The t-test value for Return on Assets (ROA) was -5.923651 with df (34) and



a probability value of  $< 0.01$ , which indicated that the average ROA of banks before the conversion was higher than after conversion to the Islamic bank. The findings failed to support hypothesis H1, where the average ROA of the bank after being converted was higher than before being converted to an Islamic bank. The average value of ROA before conversion (conversion = 0) was 0.034622 (3.4%) or higher than the average ROA after conversion (conversion = 1) to Islamic banks, which was 0.020739 (2.0%). Thus, it concluded that the average ROA after conversion was lower than the average ROA before being converted to Islamic banks at a significance level of 1%, assuming the homogeneous variance between observations.

**Table 2. Values of t-test results**

Variables	t-test value	df	Probability
ROA	-5.923651	34	0.0000
BOPO	5.257471	34	0.0000
CAR	0.641631	34	0.5254

Notes: ROA is Return on Assets; BOPO is Operating Expenses to Operating Revenue; CAR is Capital Adequacy Ratio.

The findings of this study indicated that the health of Bank Aceh as measured by ROA after being converted to the Islamic banks was lower than before conversion. Although the average ROA after conversion was lower than before conversion, Bank Aceh was still very healthy based on Bank Indonesia Circular Number: 6/23/DPNP/2004. Based on the circular, the ROA value  $> 1.5$  is categorized as very healthy. The lower average ROA after conversion to the Islamic bank indicated that the utilization of bank assets to generate profits was less efficient when the bank has been operating under the Islamic system.

The results of this study were consistent with the research by Sugari et al. (2015), which showed that the average ROA of Islamic banks was lower than conventional banks. Also, the conventional bank was more capable and efficient in utilizing bank assets to generate profits than Islamic banks (Fayed, 2013). The results of this study were not in line with previous studies that documented Islamic bank returns were higher than conventional banks (Aziz et al., 2016; and Aljahdali and Faleel, 2021).

#### Differences in BOPO before and after being Converted into the Islamic Bank

The t-test value of Operating Costs to Operating Revenue (BOPO) was 5.257471 with df (34) and a probability value of  $< 0.01$ , which indicated that there was a significant difference in the average value of BOPO before and after being converted into the Islamic bank (Table.2). This finding indicated that the H2 hypothesis was successfully supported by research data at a significance level of 1% with the assumption of the same/homogeneous variance between observations. The average value of BOPO before conversion (conversion = 0) was 0.704867 (70.48%) and the average value of BOPO after conversion (conversion = 1) was 0.811783 (81.17%). Thus, the average BOPO value of Bank Aceh after conversion was higher than before conversion to the Islamic bank.

The findings of this study proved that the average BOPO after being converted into an Islamic bank was higher than the other way around. However, based on the Circular of Bank Indonesia Number: 6/23/DPNP/2004, the BOPO before and after being converted is in a very healthy rating, which is less than 94%. Thus, the health of Bank Aceh as measured by the BOPO was at a very healthy rating both before and after being converted into the Islamic bank.

The higher average BOPO value after being converted into the Islamic bank proved that the bank has been operating with lower efficiency with the Islamic system than the conventional system. It may be due to the complexity of the bank. After being converted, the bank became more and more complex. In addition, at a young age, this bank operates with a sharia system with a young age. Beck et al. (2013) stated that Islamic banks that have high complexity and younger age resulted in lower efficiency and higher costs than conventional banks.

The findings of this study were consistent with previous research, which proved that conventional banks were more efficient in managing costs than Islamic banks (Miah and Sharmeen, 2015). The results of this study were also in line with the past that documented Operating Expenses on Operating Revenue (BOPO) of Islamic banks were higher than conventional banks (Sugari et al., 2015). According to Heniwati (2019), a bank had lower financial stability when its operating expenses were high.

### Differences in CAR before and after being converted into the Islamic bank

The t-test value of Capital Adequacy Ratio (CAR) was 0.641631 with df (34) and probability value  $> 0.1$ , which indicated that the average value of CAR before and after conversion to an Islamic bank was not significantly different (Table.2). The average value of CAR before conversion (conversion = 0) was 0.190748 (19.07%) and the average value of CAR after conversion (conversion = 1) was 0.195844 (19.58%). Thus, at a significance level of 10%, the CAR average value after conversion to the Islamic bank was the same as the average value of CAR before conversion with the assumption that the variance was the same/homogeneous between observations, and proved that the hypothesis H3 was not successfully supported by research data.

The findings of this study proved that the CAR of a Bank Aceh was very healthy based on the Circular of Bank Indonesia Number: 6/23/DPNP/2004, which is above 12%, both before being converted and after being converted into the Islamic bank. Thus, when measured by the Capital Adequacy Ratio (CAR), the soundness of Bank Aceh was the same as before and after being converted into the Islamic bank. The findings of this study were inconsistent with the findings of Rahmi's research (2019), which documented that the Capital Adequacy Ratio (CAR) differs between Islamic banks and conventional banks. The results of this study were also not in line with the results of research by Beck et al. (2013), which proved that the Capital Adequacy Ratio (CAR) of Islamic banks is higher than conventional banks.

### Differences in ROA trends before and after being converted to the Islamic bank

Based on Table.3, the t-statistic value of the Wald test was 0.940655 with a probability-value  $> 0.1$ , which indicated no significant differences in the ROA trend of Bank Aceh before and after being converted to an Islamic bank. Furthermore, the trend coefficient value of ROA before conversion (conversion = 0) was -0.000435 with a t-statistic value of -1.358330 and a probability value of  $> 0.1$ , which indicated that the trend of ROA before being converted to an Islamic bank experienced an insignificant decrease at the 10% significance level. Thus, despite insignificant, the trend of ROA before being converted into an Islamic bank was predicted to continue to decline in the future.

The ROA trend coefficient value after conversion (conversion = 1) was -0.000008 with a t-statistic value of -0.028043 and a probability value  $> 0.1$ , which indicated that the ROA trend after being converted to an Islamic bank experienced an insignificant decrease at the 10% significance level. Although insignificant, the ROA trend after conversion into an Islamic bank was also predicted to continue to decline in the future. It showed that Bank Aceh has a declining trend value of ROA under a conventional and Islamic system. The decreasing trend value of ROA indicated that the bank used its productive assets with a low-efficiency level to generate profits in the future. Banks that can generate larger profits show that they can utilize assets more effectively from the funds invested than banks with lower profits (Azeharie, 2017).

### The differences in BOPO trends before and after being converted into Islamic bank

Based on Table.3, the value of Wald's t-test statistic on BOPO was -0.553649 with a probability value  $> 0.5$  and indicated no significant difference in the BOPO trend of Bank Aceh before and after being converted to an Islamic bank. Furthermore, the trend coefficient value of BOPO before being converted (conversion = 0) was 0.001824 with a t-statistic value of 0.642645 and a probability value of  $> 0.1$ , which indicated that the trend of BOPO before being converted to an Islamic bank experienced an insignificant increase at the 10% significance level. After being converted (conversion=1) into an Islamic bank, the BOPO trend coefficient was -0.000398 with a t-statistic value of -0.140333 and a probability value of  $> 0.1$ , which indicated that the BOPO trend, although not significant, will continue to decline in the future. This finding proved that the Operational Cost of Operational Revenue of the bank after being converted to an Islamic bank is predicted to continue to decline. Based on these findings, this regional bank in Aceh will be more efficient in the future if measured by BOPO. In other words, the health of this bank after being converted to the Islamic bank will be healthier in the future with the decrease in Operating Costs to Operating Revenue (BOPO). Fatoni and Sidiq (2019) documented that more efficient banks had a lower risk of bankruptcy and made better use of assets.

**Table 3. Trend test results between before and after being converted to islamic bank**

Variables	Coefficient	t-statistics
<b>ROA</b>		
Conversion =0	0.038754	11.182650***
Conversion =1	0.020986	2.342248**
T*(Conversion =0)	-0.000435	-1.358330
T*(Conversion=1)	-0.000008	-0.028043
Wald Test: C(3) =C(4)		0.940655
<b>Bopo</b>		
Conversion =0	0.687541	22.382350***
Conversion I=1	0.822735	10.35958***
T*(Conversion =0)	0.001824	0.642645
T*(Conversion=1)	-0.000398	-0.140333
Wald Test: C(3) =C(4)		-0.553649
<b>Car</b>		
Conversion =0	0.195933	17.654020***
Conversion =1	0.262707	9.155533***
T*(Conversion =0)	-0.000546	-0.532292
T*(Conversion I=1)	-0.002431	-2.371318**
Wald Test: C(3) =C(4)		-1.300388

**Notes.** ROA is Return on Assets; BOPO is Operating Expenses to Operating Revenue; CAR is Capital Adequacy Ratio; Conversion=0 is before being converted into an Islamic bank; Conversion=1 is after being converted into an Islamic bank, and T is time. \*\* significant at 5%, \*\*\* significant at 10%.

#### Differences in CAR trends before and after being converted into the islamic bank

The t-statistic value of the Wald test was -1.300388 with a probability value of  $> 0.1$ , indicating that there was no significant difference in the CAR trend of Bank Aceh before and after being converted to an Islamic bank (Table.3). This finding proved that the CAR trend of Bank Aceh before and after being converted to the Islamic bank was the same. The value of the CAR trend coefficient before conversion (conversion = 0) was -0.000546 with a t-statistic value of -0.532292 and a probability value of  $> 0.1$ . It indicated that the CAR trend before being converted to an Islamic bank experienced an insignificant decrease at the 10% significance level. Unlike the case after being converted to an Islamic bank, the CAR of Bank Aceh had a downward trend significantly at the level of 5% in the future, where the value of the CAR trend coefficient after conversion (conversion = 1) was -0.002431, while the t-statistic value was -2.371318 with a probability value of  $< 0.05$ . Majeed and Zainab (2021) have proven that a high CAR value showed high bank health and low risk. But the too high CAR value also proved too much capital used to guarantee assets that contain or generate risk. Therefore, banks need to maintain good CAR so that banks are always at a healthy rating.

## CONCLUSION

The results showed that the health level of the bank was significantly lower after being converted to an Islamic bank compared to before being converted to an Islamic bank (still conventional). This finding was based on ROA and BOPO proxies. In other words, after being converted into an Islamic bank, the bank operated with a lower level of efficiency than before the conversion. Furthermore, if measured by CAR, the bank health after being converted was the same as before being converted into an Islamic bank. Although the overall health level of the bank was lower after being converted than before being converted to an Islamic bank, the health level of Bank Aceh was still at a very healthy rating based on Number: 6/23/DPNP/2004 both when operating in a conventional manner and under the Islamic system. The results also provided additional evidence that there was no significant difference in the trend of bank health between operating conventionally and operating according to sharia. Both in conventional and Islamic system, the Return on Assets (ROA) and Capital Adequacy Ratio (CAR) of the bank had a downward trend. On the other hand, the trend in the value of Operational Costs to Operating Revenue (BOPO) after being converted to Islamic banks continues to



decline. Thus, based on the BOPO proxy after being converted into an Islamic bank, the bank had a healthier (efficient) trend in the future.

The results of this study provided theoretical implications in the form of additional empirical evidence about the bank health and the trend of bank health before and after being converted into an Islamic bank. The findings of this study also provided an overview of the current and future financial stability of banks. The results indicated that the ROA of banks after being converted to Islamic banks was lower than before and had a downward trend. Likewise, CAR had the potential to continue to decline in the future after being converted into an Islamic bank. Therefore, the results can be considered by bank management to utilize their productive assets to increase bank efficiency and profitability with low risk. Fayed (2013) emphasized that Islamic bank management needs to increase attention to improve efficiency and minimize the risks faced.

This study only examined one bank in Aceh that has been operating conventionally and now operates under the Islamic system so that the results cannot be generalized. In addition, this study focused on indicators of earnings (E) and capital (C) only to measure the health of bank. Further study should examine the indicators of risk profile (R), Good Corporate Governance (G) so that bank soundness level testing will be carried out on all RGEK indicators. It also needs to test using annual financial statements data to make it more credible because it has been audited by a public accountant. This study only used quarterly financial statement data.

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