

Sharia Bank Health Management Strategy (Study On PT. BPRS Carana Kiat Andalas)

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ABSTRACT

The purpose of this research is to look at the bank's management strategy in managing the soundness of the bank, so that it can be seen what factors make the bank less healthy. This type of descriptive quantitative research with descriptive analysis research techniques, data collection techniques with interviews and secondary data from financial public reports from the Financial Services Authority (OJK) and interviews with banks. Location and time of research at PT. BPRS Carana Kiat Andalas from March 2021-June 2021. The problem is that the Bank's Soundness Level is decreasing, especially the ratio of CAR, NPF, BOPO and ROA. From the 2014 financial data, it was found that the CAR position was 3.13% and far below the regulatory requirements, the NPF position was 45.38%, the BOPO position was 110.56% and ROA minus 6.45%. The results of strategic research conducted by Management in improving the soundness of banks within a period of 5 (five) years from 2014 to 2019 include increasing cash capital with new investors, increasing the settlement of non-performing financing and increasing the role of the internal management function. The results showed an increase in CAR to 20.66% (improved), NPF decreased to 10.34% (improved), BOPO to 86.18% (improved) and ROA to 1.95% (improved).

Keywords: Sharia Bank Management Strategy and Soundness Level

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INTRODUCTION

In accordance with Law No. 21 of 2008 concerning Islamic Banks in article 1 paragraph (2) which states that "a bank is a business entity that collects funds from the public in the form of savings and distributes them to the public in the form of credit and or other forms in order to improve the standard of living of the people at large" Therefore, based on this definition, banks must maintain the trust given to them by the public in managing their funds. The manifestation of the seriousness of the Bank in managing public funds is to maintain a healthy performance, because a healthy performance is very important for a business institution. Therefore, by knowing the soundness of the Bank, the role of stakeholders can easily assess the performance of the banking institution (Nasfi et al., 2019b).

Further, in Law no. 21 of 2008 concerning Islamic Banks in article 51 paragraph (1) states that Islamic banks and UUS are required to maintain a sound level which includes at least capital adequacy, asset quality, liquidity, profitability, solvency, management quality that describes capabilities in financial aspects, compliance to Sharia Principles and Islamic management principles, as well as other aspects related to the business of Islamic Banks and UUS.

Bank health is the ability of a bank to carry out normal banking operations and be able to fulfill all its obligations properly in ways that are in accordance with applicable banking regulations (Putri &

Suryono, 2017). For banks, the final results of the banking soundness assessment can be used as a means of determining future business strategies, while for Bank Indonesia the results of the banking soundness assessment are used as a means of determining and implementing bank supervision strategies by the Financial Services Authority (OJK).

Based on Satria's research (2019), CAR is said to be healthy at $> 12\%$, healthy NPL $< 5\%$, FDR $> 80\%$, ROA 1.22% and BOPO $< 93.52\%$, in managing the strategy to increase capital, mergers with other banks are carried out, not increasing paid-in capital, resulting in an increase in lending and suppressing (minimizing) NPL as well as an increase in profit so that ROA increases and efficiency occurs with a decrease in BOPO, the difference between this study and the one being studied does not look at the NIM (Net Interest Margin) where the Gap the research was conducted by Satria for the last 5 years of financial data and the research used historical data for the last 6 years (Satria.Y.D, 2019).

Sari's research (2021), showed that there was a decrease in NPF resulting in a balanced or no effect on FDR, and Sari's research examined Cash Ratio, NPF and FDR. Where it does not study the management of CAR, ROA, BOP and NIM, this is a research gap with Sari (Sari & Canggih, 2021). The research gap with Noerainon's (2016) research is where the researched is CAR, BOPO, ROA, NIM and FDR, while NPF research is not carried out in bank soundness level management (Noerainon & Handayani, 2016). Where the bank soundness level management strategy is not comprehensively carried out by bank management, to take further steps to improve bank performance.

According to Ramadonna (2019), the soundness of a bank is the result of an assessment of the condition of the bank carried out on the risks and performance of the bank or in another sense the level of soundness of the bank is a reflection that a bank can carry out its functions properly. Understanding bank soundness in another sense is the result of qualitative research on various aspects that affect the condition or performance of a bank through the assessment of capital factors, asset quality, management, profitability, liquidity (Ramadonna et al., 2019).

According to Bank Indonesia Regulation Number 9/1/PBI/2007 concerning Assessment of the Health of Commercial Banks Based on Sharia Principles, Article 1 paragraph (6), the soundness of a bank is the result of a qualitative assessment of various aspects that affect the condition or performance of a Bank or UUS through:

- a. Quantitative Assessment and Qualitative Assessment of the factors of capital, asset quality, profitability, liquidity, sensitivity to market risk, and
- b. Qualitative assessment of management factors. Quantitative assessment is an assessment of the position, development or projection of the financial ratios of the Bank or UUS. Qualitative assessment is an assessment of the factors that support the results of the quantitative assessment, implementation of risk management, and compliance with the Bank or UUS.

The definition of bank health can be concluded as a condition in which the bank can carry out its operations properly, so as to ensure the continuity of the bank's business and can maintain the trust of the people who invest their funds. The poor condition of banking soundness is usually caused by many diverse factors. The risk factor faced by all banks is credit risk or financing risk. Credit risk in the banking system means that credit payments are delayed or not available at all which can cause cash flow problems and affect bank liquidity, therefore credit risk is a major cause of bank failure (Nasfi et al., 2021). In order to measure and assess the soundness of a bank, the government through Bank Indonesia provides a reference method for assessing bank health through a method, namely the RGEC method. The RGEC method is a development of the previous method, namely CAMELS which was previously regulated in PBI No.06/10/PBI/2004. Regulations that specifically discuss banking health using the RGEC method are Bank Indonesia Regulation (PBI) No.13/1/PBI/2011 and SE BI No. 13/24/DPNP dated October 25, 2011.

According to Desiana and Aryanti (2017:157), the regulation contains several indicators that are needed to measure the soundness of a bank using the RGEC (Risk Profile, Good Corporate Governance, Earning and Capital) method, and a composite rating assessment of the bank's soundness level. The RGEC method is considered more complete than the previously applied method, namely the CAMEL method. The RGEC method will describe, among others, the Risk Profile which includes Credit/Financing risk, Market risk, Liquidity risk, Operational risk, legal risk, strategic risk,

compliance risk, return reputation risk and investment risk. The next picture in the RGEC method is an assessment of Good Corporate Governance (GCG).

Assessment of Good Corporate Governance (GCG) Based on Bank Indonesia Regulation Number 8/4/PBI/2006 dated January 30, 2006 concerning the implementation of Good Corporate Governance (GCG) for Commercial Banks. The implementation of GCG in the banking industry must always be based on five basic principles, namely transparency, accountability, responsibility, independence and fairness. The assessment of the Good Corporate Governance (GCG) factor is an assessment of the quality of bank management on the implementation of GCG principles. GCG principles and the focus of assessment on the implementation of GCG principles are guided by Bank Indonesia regulations regarding the implementation of Good Corporate Governance for Commercial Banks by taking into account the characteristics and complexity of the bank's business (Octaviani & Saraswati, 2018).

The next assessment in the RGEC method is the Earning Assessment (Rentability). Profitability is a picture used to measure the level of business efficiency and profitability achieved by an assessment of the profitability factor, including an assessment of the components that affect profitability including Return On Assets (ROA), Return On Equity (ROE) Operating Expenses to Operating Income (BOPO) and Net Interest Margin (NIM). The last assessment in the RGEC method is the valuation of Capital (Capital). Banks that are able to meet the health criteria according to the RGEC method are categorized as healthy banks and will get great trust from the community, but on the contrary when these criteria are not met, then the bank will have the potential and threatened to close. So to anticipate these conditions, one must prepare a good and mature strategy and planning in an effort to anticipate the decline in the bank's soundness level.

Talking about the word "strategy" at first only related to the military environment, namely at the time of the war. Strategy is always attached to a commander in dealing with his enemies in order to achieve victory (Nasfi, Ganika, et al., 2022). Meanwhile, according to Bairizki and Nasfi (2021), defines strategy as conceptual, realistic and comprehensive thinking about the steps needed to achieve the goals and objectives that have been set (Bairizki & Nasfi, 2021).

Strategic management is the art and science of preparing, implementing, and evaluating cross-functional decisions that can enable an institution/institution/organization to achieve its goals. Strategic management is the process of setting organizational goals, developing policies and planning to achieve these goals, and allocating resources to implement policies and plan for achieving organizational goals (Hadi, 2019). The definition of management according to Naway (2016), "Management" can be equated with management, which also means regulation or management. Naway said that management is a skill to mix components and elements involved in a system to achieve planned results/goals. Management is defined as working with people individually and in groups to achieve organizational or institutional goals (Naway, 2016).

So, it can be concluded that the management strategy is a plan, steps and methods carried out by an individual, institution, institution, organization and so on in managing the organization to achieve the goals and objectives set. A good soundness level management strategy will certainly give good results, but if the strategy is not carried out properly, it will have an impact on bad bank conditions. Bank health conditions that are not good is a nightmare for every banking institution, both Islamic Banks and Conventional Banks. One of the Islamic Banks that has experienced unfavorable health conditions is PT. BPRS Carana Kiat Andalas, this is based on data obtained through initial interviews with the president director of the bank, which stated that several years ago, namely from 2014 PT. BPRS Carana Kiat Andalas experienced a decline in its health level but this situation was finally able to be slowly improved and improved again until 2019.

To strengthen the statement above, the following table is presented describing the condition of the Bank Soundness Level at BPRS Carana Kiat Andalas based on the CAR, FDR, NPF, ROA, ROE, NIM and BOPO ratios of the Bank:

Health Level of PT. BPRS Carana Kiat Andalas
Based on CAR, NPF, FDR, ROA, ROE, NIM & BOPO

Information	Weigth (%)					
	2014	2015	2016	2017	2018	2019
CAR	3,13	7,81	16,61	10,49	19,67	20,66
FDR	89,58	60,99	67,46	113,67	77,17	84,50
NPF	45,38	54,24	40,73	28,05	22,67	10,34
ROA	-6,45	-3,53	-0,72	-0,7	0,82	1,95
ROE	-245	-100	-8	-11	6	13,3
NIM	-10,56	-13,84	-4,03	6,66	16,05	15,89
BOPO	110,56	113,84	104,03	93,34	83,95	86,18

Source: Financial Services Authority Report Pprocessed

Information	Bank Health Information					
	2014	2015	2016	2017	2018	2019
CAR	TS	KS	SS	S	SS	SS
FDR	CS	SS	SS	KS	SS	S
NPF	TS	TS	TS	TS	TS	CS
ROA	TS	TS	TS	TS	KS	SS
ROE	TS	TS	TS	TS	TS	CS
NIM	TS	TS	TS	SS	SS	SS
BOPO	TS	TS	TS	TS	S	CS

Information :

- Very Healthy (SS)
- Healthy (S)
- Fairly Healthy (CS)
- Unhealthy (KS)
- Unhealthy (TS)

Based on the data above, the author will conduct research that focuses on the factors that affect the decline in the health level of PT. BPRS Carana Kiat Andalas and the strategies carried out in restoring the bank's soundness level, as well as the gap with previous research by Satria (2019) there was a gap in the year of analysis and did not examine NIM, as well as Sari's research (2021) there was a gap in the study of the CAR ratio , ROA, BOPO and NIM, while Norainon's (2016) research has not conducted any research on the NPF ratio.

LITERATURE REVIEW

The development of the Islamic banking financial industry in Indonesia during these two decades has shown a good trend of development, both Islamic banking financial institutions and non-bank financial institutions with sharia principles (Iskamto, 2016). Islamic banks are bank financial institutions that carry out their activities according to Islamic principles, both in raising funds and in distributing funds to mudharib (debtors) (Nasfi, Yunimar, et al., 2022), where Islamic banking is able to provide excellent service to both shahibul maal (fund owners) and mudharib (borrowers), so this is one of the factors that makes Islamic banks grow in Indonesia (Nasfi, Rahmad, et al., 2020). According to Iskamto (2018), Islamic banking grows in accordance with the conditions of belief (religiosity) and religion of the people in an area (Iskamto & Yapentra, 2018).

According to Ramadonna (2019), the soundness of a bank is the result of an assessment of the condition of the Bank carried out on the risks and performance of the Bank or in another sense the level of soundness of the Bank is a reflection that a bank can carry out its functions properly. Understanding bank soundness in another sense is the result of qualitative research on various aspects

that affect the condition or performance of a bank through the assessment of capital factors, asset quality, management, profitability, liquidity (Ramadonna et al., 2019).

According to Arif (2020), strategy is a tactic or way of dealing with competition or business opponents to achieve larger goals, the goals of the company or organization. Strategy in its initial context is defined as generality or something that leaders do in making plans to conquer the competition and win the market (Arif et al., 2020).

Bank soundness level management strategy with ratios analyzed to see the factors that cause the bank's soundness level to decline; first, the CAR ratio, which is a comparison of bank capital with RWA (Risk Weighted Assets), is said to be healthy $> 8\%$ (Nasfi et al., 2019a). Second, the FDR/LDR (Fund Debt to Ratio/Loan Deposit to Ratio) ratio, which is a comparison of the financing disbursed with the funds received, is said to be healthy $> 80\%$ (Satria.Y.D, 2019). Third, the ratio of NPF/NPL (Non-Performing Financing/Non-Performing Loan), which is the ratio of non-performing financing (above current) to total financing, is said to be healthy $< 5\%$ (Sari & Cangih, 2021). The ROA/ROE (Return on Assets/Return on Equity) ratio is the ratio of profit before tax to assets, ROA is said to be healthy $> 1.22\%$ (Nasfi, Marta, et al., 2020). Fourth, the NIM ratio (Net Interest Margin) is the difference between all interest receipts on bank assets and all interest costs on bank funds obtained, the higher the difference the healthier (Noerainon & Handayani, 2016). Fifth, the ratio of BOPO (Operational Cost of Operating Income), which is a comparison of Operating Costs to Operating Income, BOPO is said to be healthy $< 93.52\%$ (Ramadonna et al., 2019).

METHOD

The type of descriptive quantitative research, according to Ramadhan (2021), is descriptive quantitative research by describing research results with the aim of describing and explaining the phenomena studied using factual data (Ramadhan, 2021). Types of secondary data sourced from the financial statements of PT. BPRS Carana Kiat Andalas published by the Financial Services Authority (OJK) from 2014 to 2019, processed and compared with financial ratios of CAR, NPF, FDR, ROA, ROE, BOPO and NIM. So that we get an overview of the health condition of the bank and the strategies used to improve the management of the bank's soundness level and what policies must be taken by the management. And to describe the results of the research from the facts of the financial statements, interviews with the bank were also conducted, so that a more complete and solid picture of the bank's soundness management strategy was obtained. Where the research was conducted in June 2021.

RESULT AND DISCUSSION

A. Factors affecting the decline in the health level of PT. BPRS Carana Kiat Andalas

Based on the results of observations and interviews conducted with the President Director of the Islamic People's Financing Bank Carana Kiat Andalas, Mr. Yayan Adi Saputra, SE, this bad bank condition was experienced by the bank, which at that time around 2014 the health of the BPRS was in the status of "In Special Attention" by the OJK, and news about it had spread to the public and made customers in Many of these banks withdraw their funds from the bank.

According to the president director of BPRS Carana Kiat Andalas, the factors that contributed to the decline in the bank's health were caused by several things as follows:

1. Lack of Bank Capital

In 2014 to 2015, BPRS Carana Kiat Andalas experienced a lack of capital where the CAR ratio of the bank was only 3.13% in 2014 in the unhealthy category and 7.81% in 2015 in the less healthy category. Meanwhile, to get a healthy CAR category, the CAR ratio must be $> 9.5\%$, while starting in 2018, the provisions for a healthy CAR ratio have changed to $> 12\%$.

2. The number of problematic financing

The year 2015 was the peak of the high non-performing financing of the bank, with the NPF ratio at BPRS Carana Kiat Andalas reaching 54.24% in the unhealthy category, this figure is a very high number for the number of non-performing financing in a bank. This means that the non-performing financing that occurred at the Carana Kiat Andalas BPRS at that time exceeded half of the disbursed financing. Meanwhile, for the category of non-performing financing that can be categorized as healthy, the NPF ratio of a bank must be < 10%.

3. Weak Internal Management Functions

Weak internal management of the bank's management is also the cause of the decline in the health of BPRS Carana Kiat Andalas, because with weak management, the potential for fraud / fraud to occur is easy.

B. The strategy carried out by PT. BPRS Carana Tips Andalas in improving and improving health levels

Based on the results of an interview by the main Director of BPRS Carana Kiat Andalas, it was explained that the strategy adopted by the Bank was in dealing with problems and managing the health of its bank so that the Carana Kiat Andalas Islamic People's Financing Bank could improve and become healthy again, following the strategies undertaken by BPRS Carana Kiat Andalas :

1. Finding/Adding New Shareholders.

From 2014 to 2015, BPRS Carana Kiat Andalas experienced a lack of capital, namely the CAR ratio of the bank was only 3.13% in 2014 in the unhealthy category and 7.81% in 2015 in the less healthy category. Even the bank has been warned by the OJK if it cannot meet the Minimum Capital Adequacy Policy (KPMM) limit, the bank will be closed by the OJK. Therefore, to overcome this so that the Bank is not closed by the OJK, then a new shareholder is entered, namely from Central Muhammadiyah so that the composition of the Bank's ownership becomes 75% owned by Muhammadiyah and 25% is the owner of the old shareholders. With this new shareholder, then the CAR of BPRS Carana Kiat Andalas is fulfilled and the CAR ratio of this Bank has entered the very healthy category, namely > 11%.

The strategy for managing the bank's soundness level is by adding paid-in capital from shareholders, both old and new shareholders, in 2015 there was an additional paid-in capital of Rp.838,400,000, so that the CAR position rose from 3.18% to 7, 81%. In 2016 there was an additional capital of Rp.1,788,400.000,- and the CAR increased to 16.61%, the CAR position was already above 12% and healthy, the additional capital in 2018 was Rp.1,300,000,000,- and the CAR position became 19, 67% and the CAR position in 2019 was 20.66%, so the strategy for managing the bank's soundness level was carried out with the policy of increasing paid-in capital being followed properly, and a healthy bank capital ratio (CAR) above the provisions of >12%.

2. Increase financing distribution (FDR) and reduce non-performing financing (NPF).

Increase the distribution of financing from 2015 to 2016 to Rp. 9,175,523,000, - in 2017 it became Rp. 13,167,639,000, - in 2018 it became Rp. 15,160,942,000, - and in 2019 it became Rp. 15,394,725,000,0 so that the FDR ratio in a row was 67.46% , 113.67%, 77.17% and 84.50%. There was an increase in the FDR ratio due to an increase in the distribution of financing, and this would also result in a decrease in the NPF ratio, where the NPF ratio in 2015 was 54.24%, in 2016 it fell to 40.73%, in 2017 it fell to 28.05%. , in 2018 it fell again to 22.67% and in 2019 the NPF fell to 10.34%. According to the rules of the Financial Services Authority (OJK) the NPF is said to be healthy < 5%, for that it is necessary to have a strategy for managing the bank's soundness level in terms of the NPF Ratio or reducing the level of non-performing financing with the following strategies;

- a. Extension of the financing period (Rescheduling) to reduce the number of installments for customers who are experiencing difficulties and still have good payment commitments.
- b. Seizing and selling collateral/financing guarantees in a good manner or using a persuasive approach with customers in order to cover the remaining liabilities of the customer. This is done for customers who are still cooperative but do not have the ability to pay anymore.
- c. Taking legal action for customers who are unable to pay and no longer have good intentions to settle their obligations, the Bank will report it to legal channels to execute guarantees or auctions.

3. Conducting Outreach to the Community

Because many people already know that the Carana Kiat Andalas Islamic People's Financing Bank is currently under supervision by the OJK, of course many people do not believe it or are afraid to keep their assets in the bank, for that BPRS Carana Kiat Andalas needs to implement a strategy to restore trust. the community to want to return to save or invest their capital in this BPRS Carana Kiat Andalas.

The strategy carried out by BPRS Carana Kiat Andalas to deal with this problem is to carry out socialization, be it to agencies, customers, schools, correctional institutions, and so on. In this socialization, the Bank explained to the public and Nagari officials both at the head office and branch offices that the Carana Kiat Andalas Islamic People's Financing Bank has now been purchased or there has been a new shareholder, namely from Muhammadiyah which is one of the largest organizations in Indonesia. guaranteed by the Deposit Insurance Corporation (LPS) which guarantees public savings of up to Rp. 2 billion, so customers don't have to be afraid to save at BPRS Carana Kiat Andalas if the bank goes bankrupt or so.

Thanks to the trust of the people of West Sumatra in the Muhammadiyah organization, and the influence that the Muhamadiyah organization has become a shareholder in BPRS Carana Kiat Andalas, many people have begun to trust again in BPRS Carana Kiat Andalas, so that people have started to return to saving or saving their wealth Back at BPRS Carana Andalas Tips.

The Bank also assures the public that BPRS Carana Kiat Andalas is a Bank that operates based on Sharia principles which God willing is safe from usury and apart from being safe from usury but also if you save at BPR Syariah Carana Kiat Andalas, you will get blessings from Allah SWT, because there are Sharia aspects in this bank. .

In addition, BPRS Carana Kiat Andalas has also increased cooperation with various institutions, or schools, and expanded relationships so that many people know that BPRS Carana Kiat Andalas is healthy again and people can trust BPRS Carana Kiat Andalas and start saving again. at the bank.

4. Improve the Internal Management Function

The next strategy carried out by the Islamic People's Financing Bank Carana Kiat Andalas is to improve the internal management function. Weak internal management of the Islamic People's Financing Bank Carana Kiat Andalas resulted in a lack of prudence by banks in managing their companies, making it easy for fraud to occur within the bank, and a lack of expertise in risk management.

To that end, BPRS Carana Kiat Andalas has improved its internal management functions, both in terms of financing risk management and internal audit functions. In this case, BPRS Carana Kiat Andalas improves the performance of the financing risk management function, so that banks do not arbitrarily provide financing.

In providing financing, banks must pay attention to several things including the 5C principles, namely Character, Capacity, Capital, Collateral, and Condition. In conducting the 5C analysis on these customers, they must be more disciplined and stricter, so that banks can predict whether customers will be able to repay the financing provided, so as to reduce the risk of non-performing financing at BPRS Carana Kiat Andalas.

In addition, BPRS Carana Kiat Andalas also improves the performance of the internal audit function by further enhancing supervision, improving internal control functions, routinely checking whether the transaction evidence is in accordance with what was issued, whether the signature is appropriate and whether the nominal is the same and so on.

5. Provide Maximum Service

The next strategy carried out by the Islamic People's Financing Bank Carana Kiat Andalas is to provide the maximum possible service by applying the 5S principles, namely Smile, Greet, Greeting, Polite and Courteous. So that customers or the public can feel comfortable and happy to save at BPRS Carana Kiat Andalas.

CONCLUSION

From the results of the research on the factors of decreasing and increasing bank soundness in recent years, it can be concluded that; First, with the strategy of increasing paid-in capital from both old and new shareholders, the paid-up capital was added in 2015 by Rp. 838,400,000, - in 2016 by Rp. 1,788,400,000, - and in 2018 by Rp. 1,300. 000000,-, so that the position of the CAR ratio increased from 2014 to 2015 to 7.81%, in 2016 to 16.61% and in 2018 to 19.67%. Second, the increase in financing distribution in 2015 to Rp. 11,438,140,000,- in 2016 it increased to Rp. 8,019,119,000, in 2017 to Rp. 9,175,523,000,-, in 2018 to Rp. 13,167,639,000, - and in 2019 to Rp. 15,160,942,000, - resulting in; 1) NPF decreased in 2015 (54.24%) to 2016 to 40.73% and fell again in 2017 to 28.05% and in 2018 to 22.67% and in 2019 to 10.34%, 2) FDR increased in 2016 to 67,465, in 2017 it increased to 113,675 years, so that the 2019 FDR position was 84.50% healthy due to >80% OJK regulations. Third, other factors causing the decline in the level of soundness are the weakness of the bank's internal management function. Fourth, the things that must be done by Islamic Rural Banks in managing the soundness of their banks to improve the situation are: a. looking for/adding new shareholders, b. suppress/overcome non-performing financing, c. improve the function of internal management, d. carry out socialization, and e. provide the best possible service

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