

HEALTH LEVEL AND FINANCIAL DISTRESS ANALYSIS OF BANK ALADIN SYARIAH USING THE RGEK METHOD (2020–2024)

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Abstract

This study aims to analyze the health level and potential financial distress of Bank Aladin Syariah during the 2020–2024 period using the RGEK method (Risk Profile, Good Corporate Governance, Earnings, and Capital) and the Modified Altman Z-Score model. The research is descriptive in nature with a quantitative approach, utilizing Bank Aladin's annual financial statements, which are analyzed based on the key RGEK indicators. To detect the risk of bankruptcy, the Modified Altman Z-Score model is applied. The findings reveal that the bank's health condition experienced significant fluctuations: it was classified as very healthy (PK-1) in 2020 but fell into the less healthy category (PK-4) from 2021 to 2024, although a gradual improvement trend was observed. Meanwhile, the Altman Z-Score results over the five-year period indicate that Bank Aladin remained in the safe zone from financial distress. These findings imply that, although improvements are still needed in operational efficiency and profitability, the bank has maintained strong risk management and capital adequacy. Theoretically, this study contributes to the literature on the longitudinal analysis of Islamic bank health, while practically, it offers valuable insights for regulators, bank management, and investors in formulating policies and strategies to strengthen Islamic banks in the digital era.

Keywords: Bank Health, RGEK Method, Financial Distress, Islamic Bank

Abstrak

Penelitian ini bertujuan untuk menganalisis tingkat kesehatan dan potensi kesulitan keuangan pada Bank Aladin Syariah selama periode 2020–2024 dengan menggunakan metode RGEK (Risk Profile, Good Corporate Governance, Earnings, dan Capital) serta model Modified Altman Z-Score. Penelitian ini bersifat deskriptif dengan pendekatan kuantitatif, menggunakan data laporan keuangan tahunan Bank Aladin yang dianalisis berdasarkan indikator utama dalam metode RGEK. Untuk mendeteksi risiko kebangkrutan, digunakan model Modified Altman Z-Score. Hasil penelitian menunjukkan bahwa kondisi kesehatan bank mengalami fluktuasi yang signifikan: pada tahun 2020 dikategorikan sangat sehat (PK-1), namun menurun menjadi kurang sehat (PK-4) selama tahun 2021 hingga 2024, meskipun terdapat tren perbaikan secara bertahap. Sementara itu, hasil analisis menggunakan model Altman Z-Score selama lima tahun menunjukkan bahwa Bank Aladin tetap berada dalam zona aman dari risiko kesulitan keuangan. Temuan ini mengindikasikan bahwa meskipun masih diperlukan peningkatan dalam efisiensi operasional dan profitabilitas, bank mampu mempertahankan manajemen risiko yang

kuat dan kecukupan modal yang baik. Secara teoritis, penelitian ini memberikan kontribusi terhadap literatur mengenai analisis longitudinal terhadap kesehatan bank syariah. Secara praktis, hasil penelitian ini memberikan wawasan berharga bagi regulator, manajemen bank, dan investor dalam merumuskan kebijakan dan strategi untuk memperkuat bank syariah di era digital.

Kata Kunci: Kesehatan Bank, Metode RGEC, Kesulitan Keuangan, Bank Syariah

INTRODUCTION

The advancement of digital technology has driven significant transformation in the banking sector, including Islamic banking in Indonesia. As the first Islamic digital bank in the country, Bank Aladin Syariah aims to provide financial services that comply with Sharia principles through a digital platform. However, along its journey, Bank Aladin has faced challenges in maintaining financial stability and performance (Sulistiani & Iswanaji, 2021).

To assess a bank's financial health, the Financial Services Authority (OJK) has established the RGEC evaluation method (Risk Profile, Good Corporate Governance, Earnings, dan Capital) as outlined in OJK Regulation No. 8/POJK.03/2014. This method provides a comprehensive framework for evaluating a bank's risk exposure, governance quality, profitability, and capital strength. Assessing a bank's soundness is crucial to ensuring operational sustainability and maintaining customer trust (Azizah & Citradewi, 2023). RGEC Method (Risk Profile, Good Corporate Governance, Earnings, dan Capital) The RGEC method, regulated under Bank Indonesia Regulation No. 13/1/PBI/2011, has become the standard for evaluating the performance and stability of banks in Indonesia (Zahro et al., 2024). This method offers a comprehensive overview of a bank's risk profile, corporate governance, profitability, and capital adequacy (Anugerah, 2024).

Several previous studies have applied the RGEC method to assess the financial health of Bank Aladin Syariah. For example, research by Azizah and Citradewi (2023), indicated that the bank's condition fluctuated between 2018 and 2022, with a notable decline in 2021 and 2022. Another study by Febrianti and Pratikto (2023) also found that Bank Aladin was ranked at level 3, categorized as fairly healthy during the 2017–2021 period, though improvements in capital management efficiency were needed.

However, most of these studies focus solely on the bank's financial health without considering the potential risk of financial distress that could threaten the bank's operational sustainability. Financial distress refers to a condition in which a company experiences significant financial pressure, which, if not properly addressed, may lead to bankruptcy. Early identification of potential financial distress is crucial for implementing necessary preventive and corrective measures.

In addition, most previous studies cover only a limited time frame and have yet to incorporate a longitudinal analysis that includes the periods before, during, and after the COVID-19 pandemic. In fact, the pandemic had a significant impact on

the banking sector, including Islamic banking. A study by Saputri et al. (2024), revealed that Bank Aladin's performance declined during the pandemic but began to show signs of recovery in the post-pandemic period.

Based on the above explanation, there is a significant research gap—namely, the lack of studies that integrate bank soundness analysis using the RGEC method with the longitudinal identification of potential financial distress in Bank Aladin Syariah. This study aims to address that gap by analyzing the financial data of Bank Aladin Syariah over the 2020–2024 period, covering the time before, during, and after the COVID-19 pandemic (Ardyanfitri et al., 2019).

The primary objective of this study is to evaluate the financial health of Bank Aladin Syariah using the RGEC method and to identify potential financial distress the bank may face during the specified period (Anugerah, 2024). Therefore, this research not only provides an overview of the bank's financial performance but also offers insights into the risks that could potentially threaten its operational sustainability (Anifa, 2023).

The significance of this study lies in its contribution to providing comprehensive and up-to-date information on the financial health of Bank Aladin Syariah, which can be utilized by the bank's management, regulators, investors, and other stakeholders in making strategic decisions. Furthermore, this research can serve as a reference for other Islamic banks in identifying and managing the risks of financial distress. It is expected that this study will make a meaningful contribution to the development of literature on Islamic bank health and risk management, as well as support efforts to enhance the stability and sustainability of the Islamic banking sector in Indonesia.

LITERATUR REVIEW

Stakeholder Theory

The Stakeholder Theory, developed by Freeman (2010), highlights the importance of various parties who have an interest in the continuity and performance of an organization. In the context of Islamic banking, this theory is particularly relevant because Bank Aladin Syariah focuses not only on financial profit but also on Sharia principles and social responsibility. Key stakeholders in Islamic banking include customers, investors, regulators, the Sharia Supervisory Board (DPS), and the broader community. The bank's health, assessed using the RGEC method regulated by OJK and Bank Indonesia, can enhance stakeholder confidence, whereas signs of financial distress, measured by the Altman Z-Score, may raise concerns.

Bank Health Level

Every Islamic bank is required to regularly assess its health condition by applying the principles of prudence, Sharia compliance, and sound management

procedures. The purpose of evaluating the health of an Islamic bank is to analyze its internal condition, support strategic decision-making, and enhance competitiveness against conventional banks. For investors, information about the bank's health serves as a crucial basis for making investment decisions (Ramadhani & Purwanto, 2025).

RGEC Method

The RGEC method for assessing bank health measures four key components, namely:

1. Risk Profile

Table 1. Categorization of NPF and FDR Ratio Assessments

Ratings	NPF	FDR	Description
1	$NPF \leq 2\%$	$FDR < 75\%$	Very Healthy
2	$2\% \leq NPF \leq 5\%$	$75\% \leq FDR < 85\%$	Healthy
3	$5\% \leq NPF \leq 8\%$	$85\% \leq FDR < 100\%$	Moderately Healthy
4	$8\% \leq NPF \leq 12\%$	$100\% \leq FDR < 120\%$	Less Healthy
5	$NPF \geq 12\%$	$FDR \geq 120\%$	Unhealthy

Source: Surat Edaran No. 13/24/DPNP/2011

a. Risk Financing

Credit risk refers to the risk arising from the failure of a debtor or other parties to fulfill their obligations to the bank (Ardyanfitri et al., 2019). It is measured using the Non-Performing Financing (NPF) formula:

$$NPF = \frac{\text{Problematic Credit}}{\text{Total Credit}} \times 100\%$$

b. Risk Liquidity

The Financing to Deposit Ratio (FDR) is a ratio used to illustrate the percentage of financing provided by the bank in comparison to Third Party Funds (DPK) or funds from the public, as well as the bank's accumulated capital (Sarmigi & Putra, 2022).

$$FDR = \frac{\text{Kredit}}{\text{Third Party Funds}} \times 100\%$$

2. Good Corporate Governance

The assessment of Good Corporate Governance (GCG) in Islamic Commercial Banks is conducted through a systematic analysis of the implementation of GCG principles, which include transparency, accountability, responsibility, independence, and fairness. The results of this evaluation are then matched with the component rating table shown below:

Table 2. GCG Ratio Assessment Categories

Rating	Description
1	Very Good
2	Good
3	Fair
4	Very Poor
5	Poor

Source : (Maramis, 2020)

3. Earning

The assessment of profitability performance, sources of profitability, sustainability of profitability, and profitability management are all components of the profitability factor evaluation, as stipulated in Bank Indonesia Circular Letter No. 13/24/DPNP/2011. According to Kasmir, as cited in Siregar's research (2022), profitability is one of the factors used to assess a bank's capacity to increase its profits. This capability is examined over time. Additionally, this aspect is used to evaluate the level of profitability and the operational efficiency of the bank.

Table 3. Assessment Categories for NOM, ROA, ROE, and OER Ratios

Rank	NOM	ROA	ROE	OER	Description
1	NOM > 3%	ROA > 1.5%	ROE > 15%	OER ≤ 88%	Very Good
2	2% < NOM ≤ 3%	1.25% < ROA ≤ 1.5%	1.25% < ROA ≤ 1.5%	89% ≤ OER ≤ 93%	Good
3	1.5% < NOM ≤ 2%	0.5% < ROA ≤ 1.25%	0.5% < ROA ≤ 1.25%	94% ≤ OER ≤ 96%	Fair
4	1% < NOM ≤ 1.5%	0% < ROA ≤ 0.25%	0% < ROA ≤ 0.25%	97% ≤ OER ≤ 100%	Poor
5	NOM ≤ 1%	ROA ≤ 0%	ROA ≤ 0%	OER ≥ 100%	Very Poor

Source: Circular Letter No. 13/24/DPNP/2011

a. NOM (Net Operating Margin)

NOM is applied to evaluate the bank's capability to generate profit from its productive assets; the lower the ratio value, the smaller the profit.

$$\text{NOM} = \frac{\text{Net Income}}{\text{Average Productive Asset}} \times 100\%$$

b. ROA (Return on Assets)

ROA is a ratio used to measure a bank's ability to generate profit from its assets and serves as an indicator of management's effectiveness in managing those assets. (Ramadhani & Purwanto, 2025).

$$\text{ROE} = \frac{\text{Profit Before Tax}}{\text{Total Asset}} \times 100\%$$

c. ROE (Return on Equity)

ROE is a ratio used to evaluate the net profit after tax earned by a company

in relation to its equity.

$$ROE = \frac{\text{Profit After Tax}}{\text{Total Capital}} \times 100\%$$

d. OER (Operating Efficiency Ratio)

OER is the ratio of operating expenses to operating income, serving as a proxy for operational efficiency, as utilized by Bank Indonesia. This ratio indicates the level of efficiency and the ability of a bank to carry out its operational activities (Agustina, 2020).

$$OER = \frac{\text{Total Operating Expenses}}{\text{Total Operating Income}} \times 100\%$$

4. Capital

The assessment of profitability, viewed from the capital factor, includes an evaluation of capital adequacy and the sufficiency of capital management by examining the Capital Adequacy Ratio (CAR).

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

The Composite RGEC Rating

The Composite RGEC Rating is the final result of a comprehensive assessment of a bank's health condition using the RGEC method. This rating reflects the bank's overall health status.

Table 4. Composite Rating Criteria (PK)

Ratings	Value (%)	Description
PK-1	86-100	Very Good
PK-2	71-85	Good
PK-3	61-70	Fair
PK-4	41-60	Very Poor
PK-5	<40	Poor

Source: POJK No. 8/POJK.03/2014

Financial Distress

Financial distress refers to a condition in which a company faces financial difficulties that may lead to bankruptcy (Achyani & Kusumawati, 2023). Over time, three models have been developed to calculate the Altman Z-Score, including the Original Altman Z-Score, the Revised Altman Z-Score, and the Modified Altman Z-Score (Rahadi & Sufyati, 2019). This study employs the Modified Altman Z-Score,

which is specifically designed to assess financial distress in non-manufacturing companies. This model will serve as the analytical tool for evaluating financial distress in this research.

RESEARCH METHOD

This study is a descriptive research with a quantitative approach, utilizing numerical data to analyze published financial statements (Sugiyono, 2013). Meanwhile, according to Suharsimi (2006), the population refers to the entire subject of the research. The population of this study is the financial statement data of PT Bank Aladin Syariah Tbk, with the sample consisting of the bank's financial statements for the period 2020 to 2024. The collected data are organized into tables to determine the bank's soundness level.

Data analysis in this study is conducted using the RGEC method, which includes four main aspects: Risk Profile, Good Corporate Governance (GCG), Earnings (profitability), and Capital. Each aspect is assessed and then classified into specific rating categories based on a predetermined classification table. The analysis is conducted using the RGEC method, employing indicators such as NPF, FDR, Self-Assessment GCG, ROA, ROE, NOM, OER, and CAR to evaluate the bank's financial condition (Rizki, 2024). To determine the overall health of the bank, a composite rating is calculated (Esomar, 2020). Additionally, to assess the potential for financial distress, the researcher uses the Altman Z-Score model (Altman et al., 2019). The final results of this evaluation will determine the bank's health category, namely, very healthy, healthy, fairly healthy, less healthy, or unhealthy, based on the composite score obtained.

RESULTS

Analysis of Bank Aladin Syariah's Financial Health Based on the RGEC Method

Table 5. Results of the RGEC Method and Altman Z-Score Analysis

Period	NPF	FDR	GCG	NOM	ROA	ROE	OER	CAR
2020	0,0%	0,13%	2	6,30%	6,19%	7,07%	56,16%	329,09%
2021	0,0%	0,00%	2	-9,93%	-8,81%	-10,10%	428,4%	390,50%
2022	0,0%	173,27%	2	-12,24%	-10,85%	-8,50%	354,75%	189,28%
2023	0,0%	95,31%	2	-4,77%	-4,22%	-7,55%	128,65%	96,17%
2024	0,03%	88,65%	2	-0,99%	0,90%	-2,43%	109,29%	64,96%

Source: Processed Annual Reports of Bank Aladin Syariah for the Years 2020–2024

1. Risk profile

a. NPF (Non-Performing Financing)

The NPF (Non-Performing Financing) ratio during the 2020–2024 period was categorized as very healthy, consistently remaining at 0.00%, which is well below the maximum threshold of 2%. This indicates that Bank Aladin Syariah effectively managed its financing operations.

Throughout 2020–2024, the bank demonstrated strong risk management by successfully anticipating credit risks or customer defaults in meeting their obligations.

b. FDR (Financing Deposit Ratio)

The FDR (Financing to Deposit Ratio) in 2020 was recorded at 0.13%, placing the bank in a very healthy category. In 2021, the ratio further decreased to 0.00%, indicating that Bank Aladin Syariah remained in a very healthy condition. This occurred because the bank had not yet disbursed financing, as it was focused on maintaining a balance between fund collection and distribution to keep the FDR within regulatory limits. However, in 2022, there was a significant increase in the FDR to 173.27%, which placed the bank in the unhealthy category. This suggests that in 2022, Bank Aladin Syariah's financing disbursements exceeded the collection of third-party funds, raising concerns about liquidity due to insufficient available funds to meet short-term obligations. In 2023, the FDR declined to 95.31%, categorizing the bank as moderately healthy. Similarly, in 2024, the ratio further decreased to 88.65%, maintaining the bank's status in the moderately healthy category. This decline was due to a balanced decrease in both financing and third-party fund collection, in line with the bank's strategic initiatives.

2. Good Corporate Governance

The GCG (Good Corporate Governance) ratio during the 2020–2024 period remained in the very healthy category, consistently scoring 2. The GCG assessment was conducted through self-assessment and reports on the implementation of corporate governance practices. Bank Aladin demonstrated an adequate application of GCG principles; however, there is still room for improvement in strengthening oversight and compliance to enhance transparency and accountability in its governance.

3. Earning

a. NOM (Net Operating Margin)

In 2020, the NOM (Net Operating Margin) ratio stood at 6.30%, indicating a very healthy condition. This reflects Bank Aladin Syariah's strong ability to manage its productive assets effectively, generating profits for the company. However, in 2021, the NOM ratio declined sharply to -9.93%, placing the bank in an unhealthy condition, a stark contrast to the previous year. The situation worsened in 2022, with the NOM ratio further decreasing to -12.24%, remaining in the unhealthy category. This indicates the need for Bank Aladin Syariah to manage its productive assets more efficiently and effectively. In 2023, the NOM ratio improved to -4.77%, although still categorized as unhealthy, it showed better performance compared to the previous year. By 2024, the NOM ratio reached -0.99%, which, while still considered unhealthy, reflected

ongoing improvement. Bank Aladin Syariah remains committed to optimizing its current performance by enhancing efficiency in managing productive assets, with the goal of achieving optimal profitability and a healthier NOM ratio in the future.

b. ROA (Return on Assets)

In 2020, the ROA (Return on Assets) ratio was in a very healthy position, as the bank was able to manage its assets effectively to generate profit. However, in 2021, the ROA dropped to -8.81%, placing it in the unhealthy category. This condition worsened in 2022, with the ratio falling further to -10.85%, continuing to reflect an unhealthy financial state. In 2023, the ROA slightly improved to -4.22%, but it remained in the unhealthy category. Nevertheless, Bank Aladin Syariah continued its efforts to optimize asset management. By 2024, the ROA reached 0.90%, moving into the moderately healthy category. This improvement was the result of the bank's ongoing commitment to managing its assets efficiently in order to achieve maximum profitability.

c. ROE (Return on Equity)

In 2020, Bank Aladin Syariah's ROE (Return on Equity) ratio was in the moderately healthy category, recorded at 7.07%. However, from 2021 to 2024, the ratio consistently fell into the unhealthy category, as it remained below 0% throughout those years. This reflects the bank's ongoing challenge in effectively managing its equity to generate profit.

d. OER (Operating Efficiency Ratio)

In 2020, there was a significant decrease in the BOPO (Operating Expenses to Operating Income) ratio to 56.16%, indicating a substantial improvement in Bank Aladin Syariah's condition, placing it in the very healthy category. However, in 2021, the bank was unable to maintain this ratio, as it rose sharply to 428.4%. This increase was caused by a surge in operating expenses accompanied by a decline in operating income. The unfavorable condition persisted into 2022, with the BOPO ratio decreasing slightly to 354.75%, yet the bank remained in the unhealthy category. This was due to operating expenses still exceeding the revenue generated. The same trend continued in 2023, with a BOPO ratio of 128.65%, which was still considered unhealthy. In 2024, the ratio improved to 109.29%, showing better performance than the previous year; however, it remained within the unhealthy category.

4. Capital

Bank Aladin Syariah's CAR (Capital Adequacy Ratio) experienced fluctuations over the years. Nevertheless, it consistently remained in the very healthy category, as each year the ratio stayed above 12%. The highest CAR was recorded in 2021 at 390.50%, while the lowest was in 2024 at 64.96%.

This indicates that Bank Aladin Syariah maintained strong

capitalization, which was sufficient to support its operational activities and fulfill its business obligations. Additionally, this capital serves as a buffer to cover potential risks that may lead to financial losses. Despite the decline in 2024, the ratio was still significantly better than the previous year and remained within the very healthy range.

DISCUSSION

Composite Ranking Analysis of the Health Level of Bank Aladin Syariah

Table 6. Results of the Composite Ranking Analysis of Bank Aladin Syariah's Health Level for the Period 2020–2024

Components	Period				
	2020	2021	2022	2023	2024
NPF	5	5	5	5	5
FDR	5	5	1	3	3
GCG	4	4	4	4	4
Components	Period				
	2020	2021	2022	2023	2024
ROA	5	1	1	1	3
ROE	3	1	1	1	1
OER	5	1	1	1	1
CAR	5	5	5	5	5
Total Score	37	23	19	21	23
Composite Value (%)	92,5	57,5	47,5	52,5	57,5
Description	PK-1	PK-4	PK-4	PK-4	PK-4

Source: Researcher's Data Processing (2025)

Based on Table 6 above, the composite ranking results of Bank Aladin Syariah's health level from 2020 to 2024 using the RGEK method indicate fluctuations in the bank's health status. In 2020, Bank Aladin Syariah achieved an excellent health rating with a composite score of 92.5%, placing it in the PK-1 category. However, in 2021, the bank's performance declined significantly, reflected by a composite score of only 57.5%, resulting in a "less healthy" rating and classification in the PK-4 category. This situation worsened in 2022 when the composite score dropped further to 47.5%, keeping the bank in the PK-4 category with the same "less healthy" rating. In 2023, the bank saw a slight improvement compared to the previous year, with a composite score of 52.5%, but it remained within the PK-4 category and retained the "less healthy" status. The condition began to improve in 2024, as the composite score increased to 57.5%, yet the bank was still categorized under PK-4.

The study by Hairul Anam et al. (2022), emphasizes that risk profile (NPL), operational expenses to operating income, and capital adequacy ratio (CAR) have a significant effect on profitability, while Good Corporate Governance (GCG) is not always significant. This condition is also evident in Bank Aladin, which still requires

improvements in operational efficiency and profitability. Furthermore, Istia's (2020), study on BNI shows that the bank's soundness was maintained due to strong risk management and capitalization, in line with the findings of this study, which indicate that although Bank Aladin experienced a decline in its soundness category, its capital and risk management remained stable. Similarly, Novia Dwi Astari's (2021), research on Bank Mandiri reinforces the "very healthy" rating through the stability of NPL, LDR, ROA, and CAR, thereby highlighting the different challenges faced by digital Islamic banks compared to large conventional banks, particularly regarding business scale and efficiency.

Analysis of Financial Distress Potential

Table 7. Altman Z-Score of Bank Aladin Syariah for the Period 2020–2024

Period	Z-Score	Description
2020	14,65	Safe
2021	18,12	Safe
Period	Z-Score	Description
2022	8,82	Safe
2023	9,559	Safe
2024	9,68	Safe

Source: Researcher's Data Processing (2025)

Based on the table above, Bank Aladin Syariah consistently falls within the "Safe" category. The bank's Altman Z-Score remains very high, although it has slightly declined from its peak in 2023. Overall, the risk of financial distress for Bank Aladin Syariah during the 2020–2024 period is considered low. This is attributed to effective risk management, operational efficiency, and sufficient capital strength, which adequately cushions the impact of asset declines.

This study finds that although the health of Bank Aladin Syariah fluctuated and tended to decline between 2021 and 2024, the bank remained safe from bankruptcy risk. These findings are consistent with Amalia et al. (2020), who emphasize that indicators such as NPF, GCG, and BOPO significantly influence banking performance, while FDR, NOM, and CAR do not always adequately explain potential distress. Therefore, combining the RGEC framework with the Altman Z-Score proves to be more comprehensive than relying on a single financial ratio. Gandhi et al. (2019), further highlight the importance of annual report sentiment analysis as an early indicator of distress, which is particularly relevant in the context of digital banking, where transparency and stakeholder perception play a decisive role in sustainability. From an international perspective, Abdu (2022), identifies liquidity, profitability, leverage, firm size, and management efficiency as the main determinants of distress, aligning with the finding that Bank Aladin's weakness lies in operational efficiency and profitability. Similarly, Ullah et al. (2021), support the relevance of the Altman Z-Score in mapping banks into safe or distress zones. In line with this, Aprilia & Hapsari (2021), argues that ROA and CAR significantly affect firm

value, whereas NPL and GCG do not, while Rizal & Humaidi (2021), underscores the importance of strengthening profitability (ROA) alongside solid capital (CAR). Accordingly, this study contributes by providing a longitudinal analysis of Bank Aladin Syariah, clarifying the distinction between formal health assessments (RGEC) and distress risk evaluations (Altman Z-Score), and underlining the critical role of operational efficiency for the sustainability of digital Islamic banking.

CONCLUSION

Based on the analysis using the RGEC method, Bank Aladin Syariah's financial health experienced fluctuations during the 2020–2024 period. In 2020, the bank was in a very healthy condition (PK-1), supported by strong financial performance indicators. However, in the following years, particularly from 2021 to 2024, there was a significant decline that placed the bank in the less healthy category (PK-4), although some improvement began to emerge in 2024. Despite unfavorable profitability indicators such as ROA, ROE, and OER over several years, the Altman Z-Score analysis indicates that Bank Aladin Syariah consistently remained in the safe zone, free from financial distress risk throughout the research period.

The implications of this study indicate that, despite the decline in the bank's health condition based on the RGEC method, particularly in terms of earnings and operational efficiency, Bank Aladin Syariah has remained financially stable due to strong risk management and capital adequacy. This research provides valuable insights for both the management of Bank Aladin Syariah and regulators, highlighting the urgent need to improve internal financial performance, especially by enhancing operational efficiency and profitability. One limitation of this study is the reliance on quantitative financial data without incorporating interviews or qualitative input from bank management. Additionally, the use of the modified Altman Z-Score does not fully capture the specific operational characteristics of Islamic banking.

Future research is recommended to adopt a mixed-methods approach by combining quantitative analysis with in-depth interviews involving the bank's management and key stakeholders. This would provide a more comprehensive understanding of risk management strategies and financial efficiency. Additionally, a comparative study with other digital Islamic banks could be conducted to assess Bank Aladin Syariah's competitive position within the industry. Evaluating additional indicators that are more specific to Islamic banking operations such as sharia compliance and the level of digital financial inclusion would also enhance the depth and relevance of future research findings.

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