

## PERFORMANCE ANALYSIS OF PT BANK SYARIAH INDONESIA BEFORE AND ALREADY MERGER

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### **ABSTRACT**

*This study aims to: 1).To analyze how the performance of PT Bank Syariah Indonesia before and after the merger. 2).To analyze whether the performance of PT Bank Syariah Indonesia before and after merger has increased 3). To analyze the factors that influence the performance of PT Bank Syariah Indonesia on TPF before and after the merger.*

*The results showed that: 1).The merger of three state-owned banks is a solution to improve the quality of Islamic banking in Indonesia. 2).The positive impact of this merger is that Islamic banks as a result from the merger and acquisition have a fairly large amount of capital and can be used to expand their market share. 3). Regarding the large amount of BSI's capital, the Bank resulting from this merger has promise a profitability potential if this bank is able to use its capital wisely, in order to obtain large profits and stick to sharia principles, taking into account factors that can have a positive effect on profitability. 4). In the long terms, the enlarged scale of the merged Islamic bank will make the products and services provided by the bank more diverse and complex, there will be more customers and interconnection with other banks or with other elements of the financial system will be stronger, and the role of the merged sharia bank will be increasingly important in the economic sectors. In addition, the impact of the merger on the development of the sharia economy is also believed to be positive, because the new entity born from this corporate action will have a large capital to move into driving national economic growth.*

**Keywords :** *Performance, Merger, Profitability of Indonesian Islamic Banks after the merger*

### **INTRODUCTION**

The growth of Islamic banking in Indonesia has increased significantly. Islamic banking statistical data shows that overall the total assets and financing of Islamic banking have increased. Total assets from 2015 to 2019 increased to Rp. 136,941 billion. Financing increased to Rp. 71,080 billion, which shows that Islamic banking is able to issue funding to support planned fund distribution or investment activities. Meanwhile DPK decreased by Rp. 47,315 billion, according to BI Governor Perry Warjiyo, the decline in the DPK figure was due to Indonesia's below-target economic growth (Sharia Banking Statistics, 2020).

Hoberg and Philipp (2010) stated that synergy in products is one of the important drivers of mergers. Mergers tend to be carried out in companies that have similar products and can complement each other. In addition, mergers will create higher value if they are carried out by companies that are competitors in the same industry or horizontally merged.

The merger journey to become Bank Syariah Indonesia began in 2016 where the Financial Services Authority prepared a financial development plan for the sharia sector. After three years running, in 2019, OJK is pushing for consolidation in banking by proposing the names of five Islamic banks in Indonesia such as PT Bank Syariah Mandiri, PT Bank BNI Syariah, PT Bank BRI Syariah, Sharia Business Unit, PT Bank Tabungan Negara ( Persero) Tbk.

Continuing in July 2020, the Minister of BUMN plans to merge 4 BUMN sharia banks, namely BRI Syariah, BNI Syariah, BTN Syariah and Mandiri Syariah. However, in October, the government decided to consolidate the three banks by excluding BTN Syariah and set the name of the consolidated company to become PT Bank Syariah Indonesia Tbk. Furthermore, as a form of legality, the OJK issued a business merger permit on January 27, 2021.

According to Munir Fuady (2008) in (Yudha Ramelan et al., 2020) mergers can be categorized into four parts as follows:

**1) Merger horizontal**

Horizontal merger is a merger between two or more companies where all of these companies are engaged in the same business line (line of business). together merge into one, such as between palm oil companies. Meanwhile, for horizontal mergers specifically when it is carried out in one business group, there are two companies in one group, which are called sister companies. Their shares are equally held by one holding company. However, after the horizontal merger, the holding company holds shares in the merged subsidiary that has merged. And in this horizontal merger process, especially if a non-liquidation merger is chosen, the minimum juridical actions to be taken are as follows:

- a) all assets and liabilities are transferred from one subsidiary to another (except for assets payable to minority shareholders who do not agree to the merger), unless the merger with liquidation model is chosen.
- b) Subsidiary one stopped its activities, then was dissolved without liquidation.
- c) Minority shareholders who do not agree to the merger can choose between becoming shareholders in the subsidiary or requesting compensation for the price of the shares they are holding without becoming shareholders in the subsidiary resulting from the merger.

**2) Merger vertical**

Vertical Merger Merger is a combination of two or more companies where one acts as a supplier to the other. Or it can be said that this vertical fusion/ merger occurs when a company unites with another company, which further works on goods made by the first company. For example, cooperation between yarn spinning factories and textile factories.

**3) Congeneric merger**

A congeneric merger is a merger between 2 (two) or more related companies but not for the same product as in a horizontal merger and not between upstream and downstream companies as in a vertical merger.

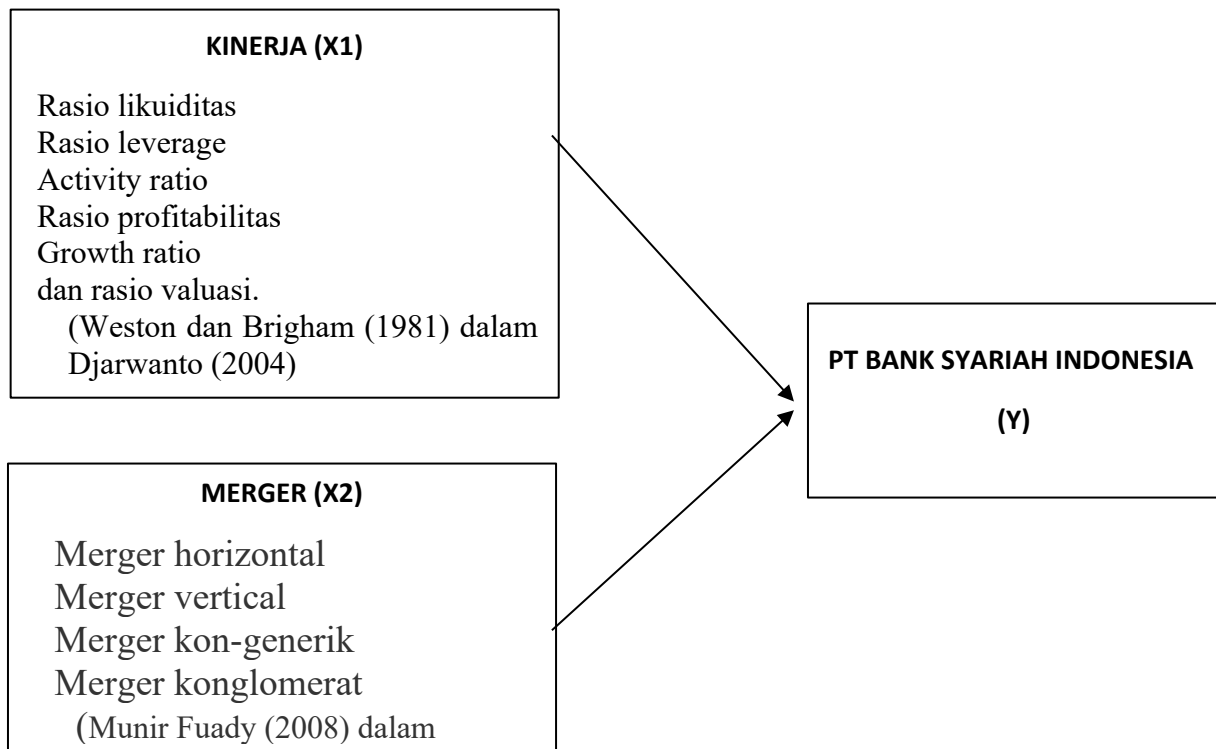
**4) Conglomerate mergers**

A conglomerate merger is a merger of two or more companies that do not have the same line of business. So that business activities are not related at all between the merging companies and the companies that accept the merger. There are at least three main reasons why Indonesia's Islamic finance industry must continue to be developed. *First*, from the side *financial inclusion*, Indonesia must improve in terms of service provision (*access*) banking for people who do not use conventional financial services. *Second*, from the side *financial deepening*, Indonesia must increase the role of financial services to serve the economy by introducing a wider selection of unique financial instruments. Reason *third*, from the side *capital flows*, Islamic banks are

instruments to facilitate the flow of capital, especially for those who have a special preference for Islamic finance. (Muliaman Hadad, 2015).

Based on the concept of thought above, the conceptual framework of this research is described as follows:

**Figure 1. Research Concept Framework**



Based on the research concept framework above, the research hypothesis is formulated as follows:

1. The performance of PT Bank Syariah Indonesia before and after the Merger has a partially positive and significant effect on the growth of Assets, Capital and DPK.
2. The merger variable has the most dominant effect on the profitability performance of Indonesian Islamic Banks.
3. The Merger of Bank Syariah Indonesia has a positive and significant effect simultaneously on performance

## RESEARCH METHODS

This research is an analytical descriptive research using a quantitative approach. Research location is a place or object to conduct a research. This research was conducted at the Office of Bank Syariah Indonesia.

The data analysis technique used in this study originates from the publication of the first quarterly financial reports of Indonesian Islamic banks after the mergers and acquisitions in 2021. This research consists of two variables, namely Performance and Marger as independent variables and the Performance of PT Bank Syariah Indonesia before and after the Merger (dependent).

## RESEARCH RESULTS AND DISCUSSION

Islamic banking performance can be seen from the qualification performance, namely by examining the level of analysis of bank performance before and after the merger. In this research analysis, the performance of Islamic banking resulting from the merger is carried out through an analysis of Return on Assets (ROA), Return on Equity (ROE), Net Operating Margin (NOM), and Financing to Deposit Ratio (FDR) with the consideration that ROA, ROE, and NOM represents the elements of bank returns in the form of profit and Earning Per Share (EPS), while FDR represents elements of factors that affect the bank.

Based on the financial reports of the 3 Islamic banks that have merged, namely Bank Syariah Mandiri (BSM), Bank BRI Syariah and BNI Syariah along with the bank's financial performance and liquidity for the last 5 years:

**Table 1.**

**Financial performance of 3 banks before the merger**

NO	BANK	PERIOD	LENG TH %	ROE %	NAME %	FDR %
1	BANK MANDIRI SYARIAH	2015	0,56%	5,92%	6,54%	81,99%
2		2016	0,59%	5,81%	6,75%	79,19%
3		2017	0,59%	5,72%	7,35%	77,66%
4		2018	0,88%	8,21%	6,56%	77,25%
5		2019	1,69%	15,66%	6,36%	75,54%
6	BANK BNI SHARIAH	2015	1,43%	11,39%	0,67%	91,94%
7		2016	1,44%	11,94%	1,01%	84,57%
8		2017	1,31%	11,42%	0,71%	80,21%
9		2018	1,42%	10,53%	0,81%	79,60%
10		2019	1,82%	13,54%	1,00%	74,30%
11	BRI SYARIAH BANK	2015	0,77%	6,33%	6,38%	84,16%
12		2016	0,95%	7,40%	6,37%	81,42%
13		2017	0,51%	4,10%	5,84%	71,87%
14		2018	0,43%	2,49%	5,36%	75,49%
15		2019	0,31%	1,57%	5,72%	80,12%

The table above shows the performance of sharia banking for 5 years before merging to become Bank BUMN Bank Syariah Indonesia, starting from 2015. Profitability performance which can be seen through Return on Assets and Return on Equity shows a significant increase from year to year at Bank BNI Sharia and BSM. On the other hand, BRI Syariah actually fluctuates and constantly experiences a decrease in the value of ROA and ROE. In 2019, Mandiri Syariah recorded a Return on Assets of 1.69%, an increase of 0.81% compared to the previous year which was 0.88%. On the other hand, Return on Equity was 15.65%, an increase of 7.44% compared to 2018 which was 8.21%.

**Table 2.**  
**Profitability of BRIS, BNIS, BSM before the merger**

Determinan	BRIS				BNIS				BSM			
	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)
NPF	4,75	4,97	3,38	4,45	1,50	1,52	1,44	3,40	2,71	1,56	1	1,07
CAR	20,05	29,73	25,26	23,77	20,14	19,31	18,88	18,26	15,89	16,26	16,15	19,83
ROE	4,10	2,49	1,57	3,60	11,42	10,53	13,54	5,40	5,72	8,21	15,66	16,39
FDR	71,87	75,49	80,12	82,65	80,21	79,62	74,31	72,43	77,66	77,25	75,54	87,11
BOPO	95,24	95,32	96,80	90,39	87,62	85,37	81,26	84,10	94,44	90,68	82,89	81,81

Sumber: Annual Report PT. BRI Syariah, PT. BNI Syariah, dan PT. BSM 2017-2020 (data diolah April 2021)

**Table 5.2 Profitability ROA**

Nama	2017	2018	2019	2020
BRIS	0,51%	0,43%	0,31%	0,90%
BNIS	1,31%	1,42%	1,82%	1,60%
BSM	0,59%	0,88%	1,69%	0,90%

Sumber: Annual Report PT. BRI Syariah, PT. BNI Syariah, dan PT. BSM 2017-2020 (data diolah April 2021)

Based on the financial reports of the three BRIS Banks, namely the BRIS, BNI and BSM 2017-2020 periods, it shows that the profitability of the three banks before Ereger was very good. But for PT. Break there is a barrier in terms of problematic financing which is marked by the high level of the Islamic people's coast of the Indonesian people which causes the bank's performance to reduce. This shows that this research has agreed with research conducted by Edy Suprianto, et al. (2020) NPF has a negative effect on profitability. To study this, it has also been confirmed by research conducted by Wahyudi, et al (2021) that cars and BOPO have an effect on the profitability of Islamic banks.

**Table 3.**  
**BSI Financial Statements after the merger**  
**Period February 2021**

No	Asset	Liabilities and Equity	Net Profit/Loss	Comprehensive Profit/Loss
<b>BSI</b>	<b>236.106.049</b>	<b>236.106.049</b>	<b>479.557</b>	<b>478.488</b>

Source: BSI Monthly Report 28 February 2021 (data processed April 2021)

Based on the monthly report data of the merged bank or Bank Syariah Indonesia, it has a large number of assets, liabilities and equity where if the two sources of capital are added up, then BSI will have enough capital to carry out its operations as a giant Islamic bank in Indonesia and expand its market share.

Apart from having a promising market share potential, the merger of the three Islamic Banks also has an impact on commercial conditions, which are more competitive and more efficient (economies of scale), expand diversification of activities and have large capacity in terms of large-scale financing projects. With this, the financial performance of Islamic banks will be better and will affect the reputation of Islamic banks themselves which will make the level of customer trust in Islamic banks higher. The results of the fusion of Islamic Banks will be more listed on the National and Worldwide markets, because they have strong capital support and influence the strong risk management of Islamic Banks. This Islamic bank also has supporting aspects Having the ability to invest in technology, promotion and research. And be the first. Movers in the Islamic banking industry (Wiyono, 2021).

## CONCLUSION

Based on the results of the discussion that has been stated previously, it can be concluded that the first few things; The merger of three state-owned banks is a solution to improve the quality of Islamic banking in Indonesia. The positive impact of this merger is that Islamic banks resulting from mergers and acquisitions have a relatively large amount of capital and can be used to expand their market share, related to the large amount of BSI capital, the resulting bank This merger has promising profitability potential if this bank is able to use its capital wisely in order to obtain large profits and remain compliant with sharia principles, taking into account the factors that can have a positive effect on its profitability. In addition, the impact of mergers on the development of the sharia economy is also believed to be positive, because the new entities born from this corporate action will have large capital to move to become drivers of national economic growth.

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