EFFICIENCY OF BANK SYARIAH INDONESIA (BSI): AN EXAMINATION BEFORE AND AFTER THE MERGER

Alya Anisha Azzahra[1]*, Nur Diana[2], Irma Hidayati[3]

[1,2,3]Universitas Islam Malang
21901083006@unisma.ac.id

ABSTRACT

This paper aims to analyze and compare the efficiency level of Bank Syariah Indonesia (BSI) before and after the merger. BSI began to merge in 2021 with three banks: Bank Syariah Mandiri (BSM), BNI Syariah, and BRI Syariah. The results showed that the ratio of Operating Expenses to Operating Income (BOPO) improved after the merger. Meanwhile, other ratios, such as the Financing to Deposit Ratio (FDR), did not change after the merger. Different research results show that mergers have an excellent impact on banks' performance and health levels. The merger of 3 Islamic banks is the right decision.

Keywords: **BOPO, FDR, Efficiency, Merger**

INTRODUCTION

The Indonesian economy is currently undergoing a significant transformation and innovation within the banking sector, which is marked by the development of the banking industry to increase efficiency. Banking as a financial institution has a very important role in terms of being an intermediary institution between parties with excess funds to save excess funds and parties lacking funds who borrow funds from the bank. In the current transformation, banking in Indonesia also continues to move forward in encouraging economic growth and economic progress for society.

In Indonesia, where the majority of the population adheres to the Islamic faith, Sharia Banks have gained prominence as a significant alternative in the banking sector. Sharia banking, grounded in Islamic principles, provides an alternative approach to financial services. Sharia Banks in Indonesia play a pivotal role not only domestically but also contribute to the broader development of the Sharia banking industry at the ASEAN level. Collaborating with neighboring countries such as Malaysia, Sharia banks are instrumental in driving initiatives and shaping the landscape of Islamic finance (Islami et al., 2021).

Bank Syariah Indonesia is one of the sharia banks in Indonesia which is the result of a merger of three banks, namely Bank Syariah Mandiri, Bank BNI Syariah and Bank BRI Syariah. Based on the Limited Liability Company Law, Article 1 point 9, states that a merger can be interpreted as a legal act carried out by one or more companies to merge with another existing company which results in the assets and liabilities of the merging company being transferred to the company that accepts the merger and Furthermore, the legal entity status of the merging Company ends by law. A merger can be understood as a combination of two or more organizations, so that only one company survives (Tarigan et al., 2016).

The merger between Bank Syariah Mandiri, Bank BNI Syariah and Bank BRI Syariah combines the advantages and complements the weaknesses of each bank. So that it can provide better and more complete services, greater capital, and is expected to be able to contribute to the welfare of the wider community. As stated in the latest article, PT Bank Syariah Indonesia Tbk or BSI pocketed a net profit of IDR. 4.26 trillion, growing 40.68 percent annually (year on year/yoy) compared to 2021 which was IDR. 3.03 trillion. President Director of Bank Syariah Indonesia (BSI) Hery Gunardi said that this achievement was the result of the merger of the three largest Islamic banks in Indonesia since 2021. This is because before the merger, BSI's net profit growth was slower, namely only growing 12 percent from 2019 of IDR 1 .95 trillion to IDR 2.19 trillion in 2020. "The merger had a positive impact on BSI's performance. Thank God BSI was able to record a net profit in December 2022 of IDR 4.26 trillion," he said during a presentation on BSI's 2022 performance, Wednesday (1/2 /2023) (Rahayu & Djumena, 2023).

The performance shown by Bank Syariah Indonesia shows a positive impact and stable performance. However, merging the three banks banks doesn't automatically guarantee enhanced efficiency and productivity. Efficiency and productivity are performance parameters that are quite relevant in measuring the financial performance of Islamic banking. According to research by Norfitriani (2016), an efficient banking institution will give confidence to investors and customers that the funds invested or saved will provide profits. Therefore, banks must pay attention to the efficiency and productivity of their institutions.

Research by Krismaya & Kusumawardhana (2021) entitled Analysis of the Profitability Development of BSM, BRIS and BNIS Banks Before and After the Merger into BSI. The result is that before the merger, the annual OPM and ROI ratios for the 2017-2020 period of BRIS and BNIS fluctuated. Only BSM's OPM and ROI experienced a steady increase each period. Before the merger, the annual NPM, ROA and ROE ratios for the 2017-2020 period for each BSM, BRIS and BNIS bank had fluctuating figures. Before and after the merger into BSI, the monthly average of the OPM, NPM, ROA, ROE and ROI ratios of BSM and BRIS increased. Before and after the merger into BSI, the monthly average of BNIS's OPM and NPM ratios increased, but there was a decrease in the ROA and ROE ratios. Meanwhile, the ROI ratio did not increase or decrease. In the first quarter period 1 Jan-1 Feb BSI as a result of the merger of BSM, BRIS, and BNIS had an OPM profitability ratio of 10.67%, NPM of 7.43%, ROA of 0.29%, ROE of 2.15%, and ROI of 0.20%.

Based on this description, this research responds of to analyze and compare the efficiency level of Bank Syariah Indonesia (BSI) before and after the merger. BSI began to merge in 2021 with three banks: Bank Syariah Mandiri (BSM), BNI Syariah and BRI Syariah. It is hoped that this research can contribute to the Indonesian people in providing information regarding the efficiency of Bank Syariah Indonesia before the merger and after the merger, as well as providing views on how the public assesses the efficiency of a bank.

METHOD

The research method used in this article is examine articles regarding analyze and compare the efficiency level of Bank Syariah Indonesia (BSI) before and after the merger, Biaya Operasional Pendapatan Operasional (BOPO) and Financing to Deposit Ratio (FDR). The results can be used as a basis for developing a model framework for study and understand more about efficiency analysis bank syariah and relevant empirical research results.

RESULTS AND DISCUSSION

1. Syariah Banking

Syariah Banking are banks that carry out their business activities based on sharia principles and according to their type consist of Bank Umum Syariah (BUS) and Bank Pembiayaan Rakyat Syariah (BPRS) (Otoritas Jasa Keuangan, 2017). Based on Law of the Republic of Indonesia No.21 of 2008 concerning sharia banking, sharia banks are banks that operate based on Islamic law or sharia by eliminating interest, as an instrument in the transaction process and implementing a profit sharing system. This aims to obtain conformity with the principles applied in Islam, such as achieving honesty, justice and virtue.

Basically, the function of sharia banks is not much different from conventional banks or other commercial banks, as stated in RI Law no. 21 of 2008 concerning sharia banking which states:

1. Sharia Banks and UUS (Unit Usaha Syariah) are required to carry out the function of collecting and distributing public funds.
2. Sharia banks and UUS can carry out social functions in the form of baitul mal institutions, namely receiving funds originating from zakat, infaq, alms, grants or other social funds and distributing them to zakat management organizations.
3. Sharia Banks and UUS can collect social funds originating from cash waqf and distribute them to waqf managers (nazhir) in accordance with the wishes of the waqf giver (wakif).
4. Monetary policy transmission tool (same as conventional banks).

According to Bedoui in (Jumingan, 2008), the goal of sharia banking itself is the application of sharia principles, in this case performance is a consequence and result of previously established goals. Therefore, the objectives in question are important parameters for improving and assessing bank performance achievements, so that to assess or measure the performance of Islamic banks, appropriate methods must be used. Therefore, sharia banking as an institution or organization must improve its performance both in terms of service to customers and in terms of operations. Bank performance is the overall performance, a description of the achievements achieved by the bank in its operations, both from the financial, marketing, fund raising and human resource aspects.

2. Bank Syariah Indonesia

Bank Syariah Indonesia itself is a sharia bank which was formed on February 1 2021. Bank Syariah Indonesia is a merger between Bank Syariah Mandiri, BNI Syariah, and BRI Syariah into one entity, namely Bank Syariah Indonesia (Bank Syariah Indonesia, n.d.) .This merger will combine the advantages of the three Sharia Banks so as to provide more complete services, wider reach, and have better capital capacity (Bank Syariah Indonesia, n.d.).

3. *Merger*

According to Johan (2018:13), mergers are one of the strategies taken by companies to develop and grow the company. Merger comes from the word "*mergere*" (Latin) which means (1) to join together, unite, combine (2) to cause loss of identity due to being absorbed or swallowed by something. A merger is defined as a merger of two or companies where one of the companies continues to exist as a legal entity, or a holding legal entity, while the other one stops its activities or is dissolved.

According to Hitt et al. (2001:295), a merger is a strategy where two companies agree to combine their operational activities on a relatively balanced basis, because they have resources and capabilities that together can create a stronger competitive advantage.

According to Mutammimah et al. (2021), mergers have advantages and disadvantages namely, advantages of mergers is takeovers are simpler and cheaper compared to other methods and disadvantages of merger is there must be approval from all shareholders of each company, and obtaining this approval takes quite a long time.

4. Efficiency

One of the most important aspects for the success of a company is efficiency. According to the Big Indonesian Dictionary, efficiency is defined as the relationship between the goods and services produced and the resources used to produce them. Companies can be categorized as efficient depending on how management processes input into output. An efficient company is a company that can produce more output than its competitors with the same amount of input or consume less input to produce the same amount of output.

According to Ghofur and Atmawardhana in Nasution, (2021), there are 3 factors that cause efficiency, namely:

a) If the same input can produce greater output.

b) Smaller input produces the same output.

c) With greater input it can produce even greater output.

Efficiency in banking is one of the performance parameters that is widely used because it provides answers to difficulties in calculating bank performance measures. The level of bank health and its level of efficiency can be seen from various indicators, one of which is the financial report of the bank concerned. With these bank financial reports, a number of financial ratios can be calculated which can be used to predict and anticipate the future (Bisri, 2016).

5. Biaya Operasional Pendapatan Operasional (BOPO)

BOPO is an abbreviation for operational costs, operational income, where according to the financial dictionary, this ratio is a group of ratios that measure the efficiency of funds and operational effectiveness of a company by comparing one against another. Various income and expense figures from the income statement against the figures in the balance sheet. The operational cost ratio is used to measure the level of efficiency and bank ability in carrying out operational activities (Dendawijaya, 2009:120). The lower the BOPO means the more efficient the bank is in controlling its operational costs, with cost efficiency the profits will be obtained.

According to (Veittzal & Arifin, 2010:350), operational costs and operational income are a comparison between operational costs and operational income in measuring the level of efficiency and the bank's ability to support operational activities. Where, Rudianto stated that "Operating costs are costs that are not directly related to the company's products but are related to the company's daily operational activities."

6. *Financing To Deposit Ratio* (FDR*)*

FDR reflects the bank's ability to manage adequate levels of liquidity to meet obligations in a timely manner and to meet other needs. Apart from that, banks must also be able to guarantee that activities are managed efficiently in the sense that the bank can reduce high liquidity management costs and at any time the bank can liquidate its assets appropriately with minimal losses. In Sharia Banking, to see whether the intermediary function of a bank is running well and effectively or not, it can be seen from the Financing to Deposit Ratio (FDR) indicator (Veittzal & Arifin, 2010:33).

According to (Veittzal & Arifin, 2010:784), Financing to Deposit Ratio (FDR) is a comparison between financing provided by the bank and third party funds that have been successfully collected by the bank. In conventional banks, the term Financing to Deposit Ratio (FDR) uses the term Loan to Deposit Ratio (LDR). According to Bank Indonesia Circular Letter No 6/23/DPNP dated 31 May 2004, Loan to Deposit Ratio (LDR) is the ratio of credit provided to third party funds (Current Accounts, Savings, Certificates of Deposit and Time Deposits). Slamet Riyadi defines the Loan to Deposit Ratio (LDR), namely the comparison between the total credit provided and the total third party funds that can be collected by the bank. The standardization set by OJK for the Financing to Deposit Ratio (FDR) is 85% - 110%.

7. Relevant Empirical Research Results

Anjarani & Usman (2022) in their research “Health Analysis of Indonesian Sharia Banks (BSI): Comparison Before and After the Merger”. This research uses the Capital Adequacy Ratio (CAR), Non Performing Financing (NPF), Operational Costs and Operational Income (BOPO) and Financing to Deposit Ratio (FDR) indicators show that the CAR, NPF, BOPO and FDR calculation results are calculating the overall average. The results of this research show that Bank Syariah Indonesia is better than the three banks that form it. The three forming banks are BRI Syariah, BNI Syariah, and Bank Syariah Mandiri. However, if we calculate the average CAR, NPF, BOPO and FDR values per period, the best CAR and BOPO values are held by Bank Syariah Indonesia, the best NPF values are held by Bank Syariah Mandiri, while the best FDR values are held by Bank BNI Syariah. Thus, overall the merger makes the bank's health level better, although not all bank health indicators used in this study show positive results.

Suryanto & Susanti (2020) in their research “Analysis of Net Operating Margin (NOM), Non-Performing Financing (NPF), Financing to Debt Ratio (FDR) and its

Influence on Sharia Banking Efficiency in Indonesia". This research used statistical analysis, namely panel data regression analysis. The results of this research show that the only significant influence of the independent variable in influencing efficiency (BOPO) is Non Performing Financing (NPF) with the predictive ability of NPF on BOPO being 28.98% while the rest is influenced by other factors. It is hoped that the results of this analysis will provide guidance in managing sharia banking. The limitation of this research is that it was not carried out on all Islamic banking and Indonesian Sharia Business Units.

Yunistiyani & Harto (2022) in their research "Performance of PT Bank Syariah Indonesia, Tbk after the Merger: Is it better?".This research is used quantitative analysis with BSI samples and descriptive statistical analysis as well as the Mann Whitney test. The research results show that there are differences in Return On Assets (ROA), while Non-Performing Financing (NPF), Capital Adequacy Ratio (CAR), Financing to Deposit Ratio (FDR) and Good Corporate Governance (GCG) before and after the merger there is no difference. NPF, ROA and CAR have improved, while FDR has decreased and GCG has remained the same.

Komarudin & Saepudin (2021) in their research "Sharia Banking Efficiency in Indonesia".This research is used analysis purposive sampling method. The research results show that the efficiency of Sharia Commercial Banks for the period 2010 to 2015 individually is: 1) Bank Negara Indonesia Syariah (BNIS), the average efficiency value of BNIS reached the point peaked in 2011. 2) Bank Muamalat Indonesia (BMI), the average efficiency value reached its peak in 2015. 3) Bank Syariah Mandiri (BSM), the average efficiency value of BSM initially showed fantastic figures in 2010. 4) Bank Rakyat Indonesia Syariah (BRIS), the 2015 efficiency value has increased, and factors influencing the efficiency level of Sharia Commercial Banks NPF, ROA, ROE and FDR have no effect on BUS efficiency.

Ramadhan et al., (2022) in their research "Sharia Banking Financial Performance Before and After the Merger of 3 Sharia Commercial Banks". This research is used analysis using the data analysis method, namely Paired Sample T-test. The results show that the NPF shows that there is no significant difference in performance. Meanwhile, ROA, FDR and BOPO show that there are significant differences. So it can be concluded that there is a significant difference in the financial performance of sharia banking before and after the merger of 3 sharia commercial banks. The limitation of this research is that it only carries out a general difference test through Sharia Banking Statistics because the latest data availability is incomplete.

CONCLUSION

This research aims to analyze and compare the efficiency level of Bank Syariah Indonesia (BSI) before and after the merger. The study results show :

1. The results of before merger is the annual OPM and ROI ratios for the 2017-2020 period of BRIS and BNIS fluctuated. Only BSM's OPM and ROI experienced a stable increase every period, The annual NPM, ROA and ROE ratios for the 2017-2020 period for each BSM, BRIS and BNIS bank have fluctuating figures, Before and after the merger into BSI, the monthly average of the OPM, NPM, ROA, ROE and ROI ratios of BSM and BRIS increased. (Krismaya & Kusumawardhana, 2021).
2. The results after merger is from CAR, NPF, BOPO and FDR calculations with the overall average calculation, the results shown are that Bank Syariah Indonesia is better than the three banks that form it, if the average CAR, NPF, BOPO and FDR values are calculated per period, the best CAR and BOPO values are held by Bank Syariah Indonesia (Anjarani & Usman, 2022), There is no difference in Financing to Deposit Ratio (FDR) and Good Corporate Governance (GCG) before and after the merger (Yunistiyani & Harto, 2022).
3. Mergers improve the level of bank health, although not all bank health indicators used in this show positive results (Anjarani & Usman, 2022).

REFERENCES

Anjarani, R., & Usman. (2022). HEALTH ANALYSIS OF BANK SHARIA INDONESIA (BSI): COMPARATION BEFORE AND AFTER THE MERGER. *Jurnal Manajemen Dan Dinamika Bisnis*, *1*(2), 43–57.

Bank Syariah Indonesia, B. (n.d.). *Complete Information About Bank Syariah Indonesia*. https://www.bankbsi.co.id/company-information/tentang-kami

Bisri. (2016). Measuring the Level of Efficiency of Sharia Commercial Banks in Indonesia and Its Determinants. *Moneter*, *III*(2), 127–135.

Dendawijaya, L. (2009). *Banking Management*.

Hitt, A. M., Ireland, R. D., & Hoskisson, R. E. (2001). *Strategic Management: Competitiveness and Globalization*. Salemba Empat.

Islami, J. B., Supriyanto, T., & Sari, L. P. (2021). Comparative Analysis of the Efficiency of BUS Financing with BPRS in West Java 2017-2019. *Journal of Islamic Banking and Finance*, *Vo. 1*, *No.*, 82–97.

Johan, D. S. (2018). *Mergers, Acquisitions and Restructuring*.

Jumingan. (2008). *Financial Report Analysis*.

Komarudin, M., & Saepudin. (2021). EFFICIENCY OF SHARIA BANKING IN INDONESIA. *Jurnal Ilmiah Ilmu Manajemen Dan Kewirausahaan Jurusan Manajemen Fakultas Ekonomi Dan Bisnis Universitas Bina Bangsa*, *1*, 11–27. https://doi.org/10.46306/vls.v1i1.2

Krismaya, S., & Kusumawardhana, V. (2021). Analysis of the Profitability Development of BSM, BRIS, and BNIS Banks Before and After the Merger into BSI. *Jurnal Manajemen, Ekonomi, Keuangan Dan Akuntansi (MEKA)*, *2*(2), 134–144.

Mutammimah, M., Bisri, A. S., Hariyanto, A., & Malik, N. M. (2021). Mergers and Acquisitions. *Muhasabatuna : Jurnal Akuntansi Syariah*, *3*(2), 2. https://doi.org/10.54471/muhasabatuna.v3i2.1171

Nasution, M. L. A. (2021). *EFFICIENCY ANALYSIS OF SHARIA BANK IN INDONESIA USING THE DEA (DATA ENVELOPMENT ANALYSIS) METHOD (Case Study of Bank Sumut Syariah and Bank Aceh Syariah Period 2016 – 2020)*.

Norfitriani, S. (2016). ANALYSIS OF EFFICIENCY AND PRODUCTIVITY OF SHARIA BANK IN INDONESIA BEFORE AND AFTER THE SPIN OFF. *Jurnal Ekonomi Syariah Indonesia*, *6*(2), 134–143. http://ejournal.almaata.ac.id/index.php/JESI/article/view/430

Otoritas Jasa Keuangan. (2017). *Banking Overview*. https://ojk.go.id/id/kanal/perbankan/ikhtisar-perbankan/Pages/Lembaga-Perbankan.aspx

Rahayu, I. R. S., & Djumena, E. (2023). *BSI 2022 Net Profit Reaches IDR 4.26 Trillion, Managing Director: Positive Impact of Merger*. Kompas.Com. https://money.kompas.com/read/2023/02/01/203027026/laba-bersih-bsi-2022-capai-rp-426-triliun-dirut-dampak-positif-merger?page=all

Ramadhan, P., Mantiri, S. M., Rahayu, I. R. S., Dohan, Septiana, R., & Dhammo, V. C. (2022). Financial Performance of Sharia Banking Before and After the Merger of 3 Sharia Commercial Banks. *Jurnal Buana Akuntansi*, *Vol. 7*, *No*, 122–133. https://doi.org/10.36805/akuntansi.v7i2.2694

Suryanto, D. A., & Susanti, S. (2020). Analysis of Net Operating Margin (NOM), Non Performing Financing (NPF), Financing to Debt Ratio (FDR) and their Influence on Sharia Banking Efficiency in Indonesia. *Jurnal Riset Akuntansi Dan Keuangan*, *8*(1), 29–40. https://doi.org/10.17509/jrak.v8i1.19331.Copyright

Tarigan, J., Yenewan, S., & Grace, N. (2016). *Merger Dan Akuisisi Dari Perspektif Strategis Dan Kondisi Indonesia (Pendekatan Konsep Dan Studi Kasus)*. Ekuilibria.

Veittzal, R., & Arifin, A. (2010a). *ISLAMIC BANKING A THEORY, CONCEPT AND APPLICATION*. PT. Bumi Aksara.

Veittzal, R., & Arifin, A. (2010b). *ISLAMIC BANKING A THEORY, CONCEPT AND APPLICATION*. PT. Bumi Aksara.

Veittzal, R., & Arifin, A. (2010c). *ISLAMIC BANKING A THEORY, CONCEPT AND APPLICATION*. PT. Bumi Aksara.

Yunistiyani, V., & Harto, P. (2022). Performance of PT Bank Syariah Indonesia, Tbk after the Merger: Is it Better? *Reviu Akuntansi Dan Bisnis Indonesia*, *Vo.6 No.2*, 67–84. https://doi.org/10.18196/rabin.v6i2.15621