HEALTH ANALYSIS OF BANK SYARIAH INDONESIA (BSI): COMPARATION BEFORE AND AFTER THE MERGER

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Abstract

This study aims to determine differences in the soundness level of government owned Islamic banks before and after the merger using the Risk Profile, Good Corporate Governance, Earnings, and Capital methods. This study uses quantitative anda comparative methods with secondary data types in the form of quarterly financial reports obtained from the bank's official website and www.ojk.co.id. The samples in this research are balance sheets and reports profit and loss of Bank Syariah Mandiri, BNI Syariah, BRI Syariah, and Bank Syariah Indonesia in the 2018-2022 period. Based on the results of research with bro using the RGEC method which consists of Risk Profle with a Non ratio Performing Financing (NPF), and Financing to Deposit Ratio (FDR), Good Corporate Governance with Net Open Position (PDN) ratio, Earnings with gan Return on Asset (ROA) and Capital ratio with the Capital Adequacy Ratio (CAR). The results of the NPF, PDN, ROA, and CAR ratio analysis provide result that there is a significant difference in this ratio before and after the merger. Meanwhile, the FDR ratio shows that there is no difference in the results significant before anda after the merger. Based on research has been carried out, it can be concluded tha Bank Syariah Indonesia is improving after the merger.

Keywords: ***Banking Health, RGEC, Merger.***

1. INTRODUCTION

Banking is one of the financial industries that plays a role in supporting the country's economic development. Banking itself acts as a financial intermediary, namely an institution that collects excess funds and distributes them to banks in need (Pramana & Artini, 2016: 384). Therefore, there is a great need for public trust in banks, one way to gain and maintain the trust of the public or bank customers, parties who must pay attention to the bank's health level.

Sharia banking in Indonesia is experiencing rapid growth according to the Financial Services Authority (OJK) in the December 2021 Sharia Banking Statistics report. Indonesia has 12 Sharia Commercial Banks (BUS), 21 Sharia Business Units (UUS) and 164 Sharia People's Financing Banks (BPRS). The banking industry can use various strategies to be able to compete and not be left behind by companies that can merge (Firdaus & Setyowati, 2020:233). The expectations of banks in carrying out mergers and acquisitions are (1) Exchange of internal cash reserves between merging companies as a result of which the

merging bank can better control liquidity risks (2) Company capital and advantages in cost management due to increased business scale (3) Market power in competition, which then has an impact on increasing loan interest margins (Tarigan et al., 2016:99).

Bank Syariah Indonesia is one of the sharia banking companies owned by the government or State-Owned Enterprises (BUMN) that is carrying out a merger. This bank is the result of a merger between BRI Syariah, BNI Syariah and Bank Mandiri Syariah through letter SR-3/PB.1/2021 on January 27 2021 which was issued by the Financial Services Authority (OJK), officially the three banks received a merger permit. The composition of Bank Syariah Indonesia shareholders is PT Bank Mandiri (Persero) Tbk 50.83%, PT Bank Negara Indonesia (Persero) Tbk 24.85%, PT Bank Rakyat Indonesia (Persero) Tbk 17.25%. The rest are shareholders with less than 5% each. The merger of the three sharia banks provides more complete services, wider reach and much better capital capacity. Supported by synergy with companies and government commitment through the Ministry of BUMN, BSI is encouraged to be able to compete at the global level.

A merger or amalgamation is carried out by two or more companies as an effort to increase competence and stronger market control. The aim of carrying out company mergers is to maximize the company's potential and serve the greater community's economic activities. Companies that carry out mergers are expected to bring in more profits and be able to compete with other large companies. The merger of Bank Syariah Indonesia (BSI) was motivated by the small market share of sharia banks, namely under 7%, while the Muslim population in Indonesia reached more than 200 million people or around 87.2% of the total population in Indonesia. The market share of sharia banking is small, so the government has formed a strategy to increase market share by merging businesses or cooperation, in this regard BSI was formed with the aim of strengthening and developing other sharia economies, including corporations, banking, retail, MSMEs, cooperatives and even community organizations (bankbsi.co.id, 2021).

The merger of Bank Syariah Indonesia can encourage improvements in the quality of other sharia banks in Indonesia. The positive result obtained is the large capital of the sharia bank resulting from the merger. This large capital can be used to expand market share. Due to the large amount of capital of Bank Syariah Indonesia, the merged bank also has the potential for profitability with better prospects in the future. Apart from that, the merger between the three banks became the largest national sharia commercial bank with strong capital so that it was able to realize the vision of Bank Syariah Indonesia, namely Top 10 Global Islamic Bank.

Bank Syariah Indonesia has a vision to rank sharia banks in the top 10 in the world. Thus, banks must continue to maintain banking performance and operational activities that are able to fulfill their obligations well, such as safeguarding, maintaining and improving the level of bank health in order to always maintain public trust. Apart from that, banks must also apply the principle of prudence and be able to carry out risk management in their operational activities. The bank's health level is one of the tools used to assess the bank's condition and the problems it faces.

According to data from the State of Global Islamic Economy Report 2020, Indonesia

is included in the top 10 countries in all sectors of the global halal industry. Indonesia's market share starts out quite high, namely 11% of the global halal industry. Indonesia is the world's largest market share for halla products in the food sector. At the same time, the tourism, pharmaceutical and cosmetics industries are also one of the largest markets for halal products in the world (bi.go.id, 2020). Indonesia's potential in the halal industry is currently very important, considering that Indonesia has the largest Muslim population in the world. The hope is that this role will not only be seen as a captive market, namely a market condition where the supply of goods is controlled by one or a number of suppliers (ojk.go.id, 2020). However, it is also necessary to encourage the development of a globally competitive halal industry in Indonesia, including the involvement of the sharia banking sector. Supported by corporate synergy and government involvement through the Ministry of BUMN, Bank Syariah Indonesia is expected to be able to compete on a global scale and this decision is in line with the Indonesian Sharia Economic Masterplan (MEKSI) 2019-2024, whose activities include the development of the halal industry, the halal product industry, the development of sharia financial services by encouraging the presence of sharia social financial services and is expected to continue to grow.

However, not all mergers and acquisitions (M&A) create added value for the company, often companies that carry out mergers & acquisitions experience failure or the company's performance gets worse. So, we can see the success of a company in carrying out M&A from the financial performance in the financial reports published by the company (Aprilia et al., 2013: 375). This is supported by previous research regarding the level of bank health and financial performance before and after the merger, namely research conducted by Kalsie & Singh (2022:61) of the 23 samples tested, only 4 to 5 companies experienced significant changes after the merger. did not experience significant changes. Furthermore, research by Jawotho & Wahyudi (2022:7100) stated that after the merger the company did not experience significant changes in the GCG, Earnings and Capital variables. Similar results were also obtained from the research results of Ahmed et al., (2022:31) which stated that mergers in banking in Pakistan were not successful in increasing the financial productivity of banks in Pakistan. Furthermore, research from Borodin et al., (2020:34) suggests that a decrease in merger events has no significant effect on the company's profitability indicators.

There are also companies that have successfully carried out mergers or it can be said that company performance has improved, namely research conducted by Putri et al., (2022:47), Jawatho et al., (2022:100), and Pratikto et al., (2021:570) show that the post-M&A period obtained positive results compared to the pre-M&A period.

The merger of Bank Syariah Indonesia (BSI), namely BRI Syariah, BNI Syariah and Bank Mandiri Syariah, requires research on the bank's health level to find out whether there are significant differences after the merger. The bank's health assessment can be seen from the bank's performance using several indicators. The methods that are often used to assess the health level of banks include Capital, Assets, Management, Earnings and Liquidity or can be abbreviated as CAMEL. However, along with the development of bank activities, this method is less effective in assessing bank performance because this method does not produce conclusions that refer to evaluating bank performance between factors of a different nature. The ineffectiveness of the CAMEL method gave rise to the newest method, namely the Risk Profile, Good Corporate Governance, Earnings and Capital (RGEC) method. This method is

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contained in Bank Indonesia regulation No.13/1/PBI/2011. This change in method was caused by the global financial crisis which was not balanced by the implementation of risk management which could give rise to various problems for banks and the financial system as a whole.

2. RESEARCH METHOD

The type of research used to analyze and determine bank health in this research is comparative research with a quantitative approach. This research uses secondary data or secondary sources. Secondary data is data obtained from available materials originating from journals, the internet, books, media, laws and other sources that are indirectly related to research. The data used in this research is quantitative data expressed in numbers and shows the value of the quantity represented by the nature of time series data. In this research, the data used is time series data, namely five years from 2018 to 2022 in the form of annual financial reports.

RGEC analysis was chosen as the method for analyzing the level of bank health in this research. Risk Profile to measure credit risk and liquidity risk consisting of NPF and FDR ratios. Good Corporate Governance (GCG) to measure the quality of bank management which is measured using the Net Open Position (PDN) ratio. Earnings are measured using the ROA ratio. Capital is measured using the CAR ratio.

The population that will be used for research is the annual financial reports of Bank Syariah Mandiri, BNI Syariah, BRI Syariah, and Bank Syariah Indonesia for the period 2018-2022. The samples taken in this research were the balance sheet and profit and loss reports of Sharia Banks Mandiri, BNI Syariah, BRI Syariah, and Bank Syariah Indonesia in the 2018-2022 period.

The data analysis technique used in this research is an analysis technique using a method or approach in accordance with Bank Indonesia Regulation Number 13/1/PBI/2011 concerning assessing the soundness level of Commercial Banks, namely the RGEC approach. The formula for calculating the variables used for RGEC analysis is:

1. ***Risk Profile***

$$NPF = \frac{Financing\ Problems}{Total\ Financing} \text{ x } 100\%$$

Table 1. Ranking Criteria *Net Performing Financing* (NPF)

Ranking	Information	Criteria
1	Very Healthy	NPF < 2%
2	Healthy	2% ≤ NPF < 5%
3	Quite Healthy	5% ≤ NPF < 8%
4	Unwell	8% ≤ NPF < 12%
5	Not Healthy	NPF ≥ 12%

Source: Bank Indonesia Circular Letter No.13/24/DPNA Tahun 2011

$$FDR = \frac{Total\ Financing}{Third\ party\ funds} \text{ x } 100\%$$

Table 2. Ranking Criteria *Financing to Deposit* (FDR)

Ranking	Information	Criteria
1	Very Healthy	FDR $\leq$ 75%
2	Healthy	75% < FDR $\leq$ 85%
3	Quite Healthy	85% < FDR $\leq$ 100%
4	Unwell	100% < FDR $\leq$ 120%
5	Not Healthy	FDR > 120%

Source: Bank Indonesia Circular Letter No.13/24/DPNA Tahun 2011

2. *Good Corporate Governance*

$$\text{PDN} = \frac{The\ Difference\ Between\ Foreign\ Currency\ Assets\ and\ Liabilities}{Total\ Capital}\ \text{x}\ 100\%$$

Table 3. Ranking Criteria Net Open Position (PDN)

Ranking	Information	Criteria
1	Very Healthy	PDN < 1,5%
2	Healthy	1,5% $\leq$ PDN < 2,5%
3	Quite Healthy	2,5% $\leq$ PDN < 3,5%
4	Unwell	3,5% $\leq$ PDN < 4,5%
5	Not Healthy	4,5% $\leq$ PDN < 5%

Source: Attachment SK DIR BI No.30/12/KEP/DIR

3. *Earnings*

$$\text{ROA} = \frac{Profit\ Before\ Tax}{Total\ Assets}\ \text{x}\ 100\%$$

Table 4. Ranking Criteria *Return On Asset* (ROA)

Ranking	Information	Criteria
1	Very Healthy	ROA > 1,5%
2	Healthy	1,25% < ROA $\leq$ 1,5%
3	Quite Healthy	0,5% < ROA $\leq$ 1,25%
4	Unwell	0% < ROA $\leq$ 0,5%
5	Not Healthy	ROA $\leq$ 0%

Source: Bank Indonesia Circular Letter No.12/24/DPNA Tahun 2011

4. *Capital*

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

Table 5 Ranking Criteria *Capital Adequacy Ratio* (CAR)

Ranking	Information	Criteria
1	Very Healthy	≥ 12%
2	Healthy	12% - 9%
3	Quite Healthy	9% - 8%
4	Unwell	8% - 6%
5	Not Healthy	< 6%

Source: Bank Indonesia Circular Letter No.13/24/DPNA Tahun 2011

3. RESULTS AND DISCUSSION

Results

When assessing asset factors or asset quality, it is measured using the NPF ratio. NPF is calculated by dividing non-performing financing and total financing. From these calculations, the NPF results for the four banks are shown in table 6 and table 7.

Table 6. Calculation *Net Performing Financing* (NPF) Bank Syariah Indonesia (BSI) Before Merger

No	Company Name	Ratio NPF (%)			Average (%)
		2018	**2019**	**2020**	
1.	Bank Syariah Mandiri	0,37	1,00	0,97	0,78
2.	BNI Syariah	2,92	3,32	3,37	3,20
3.	BRI Syariah	2,75	1,89	0,01	0,95
	Average (%)	1,65	2,07	1,45	1,64

Source: processed data (2023)

Table 7. Calculation *Net Performing Financing* (NPF) Bank Syariah Indonesia (BSI) After Merger

Company Name	Ratio NPF (%)		Average (%)
	2021	**2022**	
Bank Syariah Indonesia	0,63	0,69	0,66

Source: processed data (2023)

Based on the calculation of the NPF ratio at Bank Syariah Indonesia before and after the merger in tables 6 and 7, it shows that the four Islamic banks experience fluctuations every year. From the results of NPF calculations for the 2018, 2019 and 2020 periods of

sharia banks before the merger, it shows an average of 1.64% with very healthy assessment criteria and the calculation results for the 2021 and 2022 periods after the merger show an average of 0.66% with very healthy assessment criteria. Bank Indonesia sets a maximum limit for a bank's NPF value of 5%, and all NPF values are below 5% so that it meets the limit set by Bank Indonesia. If the NPF ratio value is smaller, it means that the bank is getting better at managing problematic financing. From these average results, it can be seen that Bank Syariah Indonesia after the merger was better at managing its problematic financing compared to Bank Syariah Indonesia before the merger.

The liquidity factor begins with the FDR ratio, which is calculated by dividing the amount of financing provided by total third party funds. Table 8 and table 9 show the results obtained from the FDR calculation.

Tabel 8. Calculation *Financing to Deposit Ratio* (FDR) Bank Syariah Indonesia (BSI) Before Merger

No	Company Name	Ratio FDR (%)			Average (%)
		2018	2019	2020	
1.	Bank Syariah Mandiri	77,01	41,29	42,38	53,56
2.	BNI Syariah	79,97	74,59	69,00	74,52
3.	BRI Syariah	73,76	60,81	78,10	70,89
	Average (%)	76,91	58,90	63,16	66,32

Source: processed data (2023)

Tabel 9. Calculation *Financing to Deposit Ratio* (FDR) Bank Syariah Indonesia (BSI) After Merger

Company Name	Ratio FDR (%)		Average (%)
	2021	2022	
Bank Syariah Indonesia	73,08	79,14	76,11

Source: processed data (2023)

Based on the calculation of the FDR ratio at Bank Syariah Indonesia before and after the merger in table 8 and table 9, it can be seen that the FDR ratio experienced fluctuations before the merger. Bank Indonesia states that FDR has a minimum limit of 85% and a maximum limit of 120%. From the calculation results for the 2018, 2019 and 2020 periods, the average value of the FDR ratio for the three banks forming Bank Syariah Indonesia was 66.32% with very healthy assessment criteria, while the FDR calculation results for the 2021 and 2022 periods of Bank Syariah Indonesia after the merger were 76.11 % with healthy assessment criteria. A bank's liquidity capacity will be lower if the resulting FDR value is higher. The FDR value of Bank Syariah Indonesia after the merger is lower than before the merger, which means that Bank Syariah Indonesia's liquidity capacity before the merger is better than after the merger.

GCG factor assessment can be obtained from the quality of bank management in implementing the GCG principles applied. GCG can be measured through the ratio of the

Country's Foreign Exchange Position (PDN). Table 10 and table 11 show the results obtained from PDN calculations.

Table 10. Calculation Posisi Net Open Position (PDN) Bank Syariah Indonesia (BSI) Before Merger

No	Company Name	Ratio PDN (%)			Average (%)
		2018	2019	2020	
1.	Bank Syariah Mandiri	2,55	4,41	2,28	3,08
2.	BNI Syariah	0,77	0,81	0,69	0,76
3.	BRI Syariah	0,93	0,48	0,59	0,67
	Average (%)	1,42	1,90	1,19	1,50

Source: processed data (2023)

Table 11. Calculation Net Open Position (PDN) Bank Syariah Indonesia (BSI) After Merger

Nama Perusahaan	Ratio PDN(%)		Average (%)
	2021	2022	
Bank Syariah Indonesia	0,27	0,57	0,42

Source: processed data (2023)

Based on the calculation of the PDN ratio at Bank Syariah Indonesia before and after the merger in table 10 and table 11, it can be seen that the PDN ratio experienced fluctuations before the merger. Bank Indonesia states that PDN has a minimum limit of 1.5% and a maximum limit of 5%. From the calculation results for the 2018, 2019 and 2020 periods, the average value of the PDN ratio for the three banks forming Bank Syariah Indonesia was 1.50% with healthy assessment criteria, while the PDN calculation results for the 2021 and 2022 periods of Bank Syariah Indonesia after the merger were 0.42%. with very healthy assessment criteria. The management quality of a bank will be higher if the resulting PDN value is lower. The PDN value of Bank Syariah Indonesia after the merger is lower than before the merger, which means that the quality of Bank Syariah Indonesia's management after the merger is better than before the merger. The earnings or profitability factor is measured using the ROA ratio. The ROA calculation is by dividing profit before tax by total assets, so that the results shown in table 12 and table 13 are obtained.

Table 12. Calculation *Return On Asset* (ROA) Bank Syariah Indonesia (BSI) Before Merger

No	Company Name	Ratio ROA (%)			Average (%)
		2018	2019	2020	
1.	Bank Syariah Mandiri	0,85	1,57	1.54	1.32
2.	BNI Syariah	1,34	1,60	1.25	1.40
3.	BRI Syariah	0,40	0,27	0.70	0.46
	Average (%)	0,86	1,15	1.16	1.06

Source: processed data (2023)

Table 13. Calculation *Return On Asset* (ROA) Bank Syariah Indonesia (BSI) After Merger

Company Name	Ratio ROA(%)		Average (%)
	2021	2022	
Bank Syariah Indonesia	1,53	1,85	1,69

Source: processed data (2023)

Based on the calculation of the ROA ratio at Bank Syariah Indonesia before and after the merger in table 12 and table 13, it can be seen that the ROA ratio experienced fluctuations before the merger. From the calculation results for the 2018, 2019 and 2020 periods, the average value of the ROA ratio for the three banks forming Bank Syariah Indonesia was 1.06% with fairly healthy assessment criteria, while the ROA calculation results for the 2021 and 2022 periods of Bank Syariah Indonesia after the merger were 1.69 % with very healthy assessment criteria. Bank Indonesia states that the ROA value must be more than 1.5%. The higher this ratio, the positive impact it will have on asset productivity in obtaining net profits. The ROA value of Bank Syariah Indonesia before the merger was lower than after the merger, which means that the level of efficiency in managing Bank Syariah Indonesia's assets after the merger was better than before the merger.

The capital factor is measured using the CAR ratio. The calculation of this ratio uses a formula, namely the division between capital and Risk Weighted Assets (RWA). The results of the CAR calculation are shown in table 14 and table 15

Table 14 Calculation *Capital Adequacy Ratio* (CAR) Bank Syariah Indonesia (BSI) Before Merger

No	Company Name	Ratio CAR (%)			Average (%)
		2018	2019	2020	
1.	Bank Syariah Mandiri	16,26	16,15	16,88	16,43
2.	BNI Syariah	19,31	18,88	21,36	19,85
3.	BRI Syariah	29,73	25,26	19,04	24,68
	Average (%)	21,77	20,10	19,09	20,32

Source: processed data (2023)

Table 15 Calculation *Capital Capital Adequacy Ratio* (CAR) Bank Syariah Indonesia (BSI) After Merger

Company Name	Ratio CAR(%)		Average (%)
	2021	2022	
Bank Syariah Indonesia	22,09	20,29	21,19

Source: processed data (2023)

Based on the calculation of the CAR ratio at Bank Syariah Indonesia before and after the merger in table 14 and table 15, it shows that the four sharia banks experience fluctuations every year. From the CAR calculation results for the 2018, 2019 and 2020 periods of sharia banks before the merger, it shows an average of 20.32% with very healthy

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assessment criteria and the calculation results for the 2021 and 2022 periods after the merger show an average of 21.19% with very healthy assessment criteria. The higher the CAR ratio, the higher and stronger the risk the bank bears from productive assets. The minimum average CAR value set by Bank Indonesia is 8%, where Bank Syariah Indonesia after the merger has a better CAR value compared to Bank Syariah Indonesia's CAR before the merger, which means that in bearing the risk of risky productive assets Bank Syariah Indonesia after merger is better.

Discussion

In the risk profile section, the calculation results for the average NPF ratio of Bank Syariah Indonesia after the merger for two annual periods, namely the 2021 and 2022 periods, show a better value than the average NPF value of all banks forming Bank Syariah Indonesia, namely Bank Syariah Mandiri. , BNI Syariah, and BRI Syariah for the periods 2018, 2019, and 2020. Based on the bank health assessment criteria matrix, Bank Syariah Indonesia's NPF ratio before and after the merger is in the very healthy category because the NPF value is < 2%. The NPF ratio average value before the merger was 1.64% and after the merger the value was 0.66%. The NPF value before the merger is greater than the NPF value after the merger, so it can be interpreted that if the NPF ratio value is smaller, the bank is better at managing problematic financing. Before the merger, the bank experienced a decline in the NPF value, indicating that there were improvements made by the bank by carrying out intensive collection, restructuring, write off, namely a method of writing off receivables which could be claimed as a tax deduction and distribution that was greater than non-performing financing in order to increase assets ahead of the merger. in 2021.

The liquidity factor is analyzed using the FDR ratio. The health assessment of the FDR ratio is in the very healthy category before the merger with a value of 66.32% and in the healthy category after the merger with a value of 76.11%. The higher the FDR ratio, the lower a bank's liquidity capacity.

The PDN assessment of Bank Syariah Indonesia (BSI) before the merger was in the healthy category because the PDN value was 1.50%, while the PDN value of BSI bank after the merger was in the very healthy category because the PDN value was <1.5%, namely 0.42%. The PDN indicator itself is used to control foreign exchange control positions because in foreign exchange management the focus of management is on limiting the overall position of each currency while monitoring foreign exchange trading in a controlled position. Control of foreign currency is intended to obtain the highest possible profit, which is obtained from the difference in buying and selling exchange rates for said foreign currency. The PDN value is also a ratio used by bank management to control foreign exchange management positions due to fluctuations in exchange rate changes.

Based on the bank's health assessment, the ROA indicator before the merger had a ratio value of 1.06%, which is in the quite healthy category because the ROA value must be > 1.5%. Meanwhile, the ROA ratio after the merger was 1.69% in the very healthy category. This shows that the company after the merger has improved and has succeeded in creating the expected synergies and shows the company's ability to generate net profits from the assets it owns has increased and shows a positive trend.

Based on bank health assessments, CAR indicators before and after the merger continue to be in the very healthy category. This result is because the CAR value before and

after the merger does not have a big difference, namely only 0.87% and according to the bank's health assessment matrix it remains in the very healthy category because the CAR value is > 12%. This means that banks have the same ability to bear asset risks both after the bank carries out the merger and before the bank carries out the merger. Even though the bank is in the very healthy category, bank management must not be careless in managing its capital and must further increase the CAR ratio so that the bank can offer better loans and also reduce the bank's risk level.

4. CONCLUSION

This research aims to compare the health of Bank Syariah Indonesia before and after the merger using the RGEC method. Based on the results of the research and discussions that have been carried out, the following conclusions are obtained:

1. The results of the Risk Profile ratio analysis as measured by non performing Financing (NPF) and Financing to Deposit Ratio (FDR) in Indonesian Sharia Bank companies experienced significant differences after the merger for the NPF ratio while the FDR ratio did not increase after the merger.
2. The results of the analysis of the Good Corporate Governance ratio as measured by the Net Open Position (PDN) experienced significant differences after carrying out the merger
3. The results of the Earnings ratio analysis as measured by Return On Assets (ROA) also experienced significant differences after the merger.
4. The results of the Capital ratio as measured by the Capital Adequacy Ratio (CAR) have increased after carrying out the merger.
5. Based on research results, Bank Syariah Indonesia improved or was in the very healthy category after the merger.

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