
PERFORMANCE ANALYSIS OF BANK SYARIAH INDONESIA POST-MERGER

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Abstract

The establishment of Bank Syariah Indonesia (BSI) marks a significant innovation in the global Islamic economic and financial landscape. This study aims to evaluate the performance of BSI following its merger. The analysis employs the Risk Profile, Good Corporate Governance, Earnings, and Capital (RGECE) method to assess the bank's financial health, revealing a composite score of 96%, categorizing BSI as "very healthy." The findings suggest that BSI not only maintains strong financial stability but also excels in customer satisfaction and internal processes, positioning it well for future growth in the competitive Islamic banking sector.

Keywords: RGECE, Bank Syariah Indonesia, financial performance

Abstrak

Berdirinya Bank Syariah Indonesia (BSI) menandai sebuah inovasi signifikan dalam lanskap ekonomi dan keuangan Islam global. Studi ini bertujuan untuk mengevaluasi kinerja BSI setelah merger. Analisis ini menggunakan metode Risk Profile, Good Corporate Governance, Earnings, and Capital (RGECE) untuk menilai kesehatan keuangan bank, yang menunjukkan skor komposit sebesar 96%, yang mengkategorikan BSI sebagai "sangat sehat." Temuan tersebut menunjukkan bahwa BSI tidak hanya mempertahankan stabilitas keuangan yang kuat tetapi juga unggul dalam kepuasan pelanggan dan proses internal, yang memposisikannya dengan baik untuk pertumbuhan masa depan di sektor perbankan Islam yang kompetitif.

Kata-kata kunci: RGECE, Bank Syariah Indonesia, kinerja keuangan

INTRODUCTION

In the modern era, Islamic banking is advancing rapidly in Indonesia. Islamic banking in Indonesia has become one of the initiators of the development of the

Islamic banking industry at the ASEAN level, alongside neighboring Malaysia (Lassoued, 2018). This development is supported by the issuance of Law No. 21 of 2008 concerning Islamic Banking, which regulates the Sharia Supervisory Board, Board of Commissioners, the principles of Sharia used, as well as the principles of prudence and risk management in Islamic banking. The enactment of this law provides a solid legal foundation for the development of the national Islamic banking industry, which is expected to accelerate its growth (Widyastuti et al., 2020).

The Islamic banking industry plays a crucial role in the country's economic activities. Its role is similar to that of conventional banks, serving as a medium for the effective mobilization and distribution of public funds. In Indonesia, the growth of the Islamic economy and finance continues to increase over time. According to data from the Financial Services Authority (OJK) as of June 2022, the market share of Islamic finance stands at 10.41%, an increase of 0.41% from the previous year, which was 10%.

The Islamic banking industry has shown significant growth, evidenced by an increase in the number of offices to 499 branches and 1.345 sub-branches as of January 2022. Additionally, the number of ATMs increased by 543 units, bringing the total to 4.025 Islamic banking ATMs. Meanwhile, the workforce in Islamic banking increased by 458 employees, totaling 56.298 employees as of January 2022. This indicates that the Islamic banking industry units in Indonesia continue to grow despite the challenges posed by the Covid-19 pandemic.

The Covid-19 pandemic has posed significant challenges worldwide, affecting not only health but also economic stability and financial systems (Manuel & Herron, 2020). Most countries experienced negative economic growth or even recession. However, the Islamic banking industry is considered more resilient compared to conventional banking. This was evidenced during the crisis in 1998 when Islamic banking was the only financial industry that survived and continued to grow. Again, during the Covid-19 pandemic in 2020, Islamic banking proved that the systems implemented, including profit-sharing systems, were robust enough to withstand economic crises.

Recent research conducted by Esomar in 2021 regarding the performance analysis of Islamic banking during the Covid-19 pandemic shows that the performance growth in Islamic banking was positive and showed significant movement. However, despite its positive performance, Islamic banks also faced negative notes, including decreased profits and increased Non-Performing Financing (NPF) during the pandemic. The Financial Services Authority (OJK), as the regulator of banking activities, has provided support in the form of liquidity

assistance and financing restructuring. However, the support provided by OJK must be accompanied by good banking performance to ensure future development (Widyastuti et al., 2020).

Bank Syariah Indonesia is a significant player in Indonesia's economic growth, evidenced by several awards received at the LPS Banking Awards 2022. One of the awards was for being the Most Active Bank in Improving Financial Literacy and the Most Active Bank in Green Banking Practices. Additionally, Bank Syariah Indonesia was recognized as the Best Islamic Bank at the Republika Sharia Awards 2022. These awards serve as motivation for Bank Syariah Indonesia to continue innovating in its services and fulfilling its commitment to apply ESG (Environmental, Social, and Governance) principles in line with sustainable finance aspects (Sahay, 2016).

The establishment of Bank Syariah Indonesia is a new innovation for the strength of the global Islamic economy and finance. Bank Syariah Indonesia is the result of the merger of three state-owned Islamic banks: PT Bank BRI Syariah, PT Bank BNI Syariah, and PT Bank Syariah Mandiri. This was announced by the Minister of State-Owned Enterprises, Erick Thohir, during the signing of the Conditional Merger Agreement (CMA), stating that the merger of these three banks would provide new energy for Indonesia's economy and is expected to compete with Islamic banks on a global scale. With the majority of Indonesia's population being Muslim, Bank Syariah Indonesia has significant potential and provides an option for the community to use Islamic banking products.

The performance exhibited by Bank Syariah Indonesia so far shows stability. However, the merger of these three banks does not guarantee that the performance of Bank Syariah Indonesia will improve. The performance of a company can generally be assessed through its financial reports. Financial reports are tools that can be utilized to determine information that provides an overview of a company's financial condition, which can be used as a basis for decision-making by the public (Hidayat, 2018). The public can access information regarding financial reports released by banks through their official websites or other sources such as the Indonesia Stock Exchange website. From these financial reports, the public can ascertain whether the bank's performance is good or bad.

Although studying a company's financial reports is the best indicator of its financial health, in recent years, experts and analysts have also been using non-financial performance measures to understand and express aspects that are not reflected in financial metrics. Simply put, non-financial performance measures provide information about a company's performance in non-monetary or non-cash terms. While information on company performance cannot express non-financial measures in monetary form, these measures can be qualitative and quantitative.

Typically, these steps help to understand the quality of products or services offered by the company.

The systems and mechanisms of performance measurement play a crucial role in developing strategies, evaluating the achievement of organizational goals, and compensating managers. Many managers believe that traditional financial-oriented systems are no longer functioning effectively. A recent survey of US financial services companies found that most managers are dissatisfied with their measurement systems. They believe there is too much emphasis on financial measures such as revenue and accounting returns, and too little emphasis on value drivers such as customer and employee satisfaction, innovation, and quality.

Several methods can be applied to assess the financial performance of Islamic banks, one of which is the Risk Profile, Good Corporate Governance, Earning, and Capital (RGEC) method in accordance with PBI No. 13/1/PBI/2011 concerning the health rating of commercial banks. The health assessment using the RGEC method employs several components, namely risk profile, corporate governance, profitability, and capital, each of which includes ratios that need to be calculated. The ratios assessed in each component include risk profile (Non-Performing Financing and Financing to Deposit Ratio), corporate governance (bank management assessment), profitability (Return on Asset and Return on Equity), and capital (Capital Adequacy Ratio). With this method, Islamic banks can conduct assessments and updates if deficiencies are found in decision-making regarding strategies implemented by Islamic banks.

The RGEC method has advantages over the Capital, Asset Quality, Management, Earning, and Liquidity (CAMEL) and Protection, Effective Financial Structure, Asset Quality, Rates of Return and Cost, Liquidity, Sign of Growth (PEARLS) methods. The RGEC method can assess the financial condition of Islamic banks more specifically by evaluating several important elements, including corporate governance, profitability, capital, and risk profile. Additionally, this method pays more attention to prudential rules and risk oversight in assessing an Islamic bank than the CAMEL and PEARLS methods, which focus solely on profit calculations and the growth of a bank.

This research is conducted to analyze the financial and non-financial performance of Bank Syariah Indonesia after the merger. Furthermore, this study is conducted in the most recent year, 2023, using the RGEC method to measure the financial performance of Bank Syariah Indonesia and the Balanced Scorecard (BSC) to measure its non-financial performance.

LITERATURE REVIEW

Performance Measurement

An institution should understand and determine which methods to use as tools for performance measurement. The performance measurement methods used in this study are RGEC for financial performance. Performance assessment is crucial in the financial world, both in Islamic and conventional finance. A good bank is one that can perform its role effectively, ensuring smooth payment transactions and ultimately achieving customer satisfaction. Financial reports reflect the financial condition and performance over a specific period. With financial reports, users can see the financial state of the organization, enabling them to determine the best policies to implement (Sarmigi, 2022). RGEC (Risk Profile, Good Corporate Governance, Earning, Capital) is one of the methods used to assess bank health. Its components (Bank Indonesia Legal Information Team, 2011) include risk profile, corporate governance, profitability, and capital.

Risk Profile

The assessment of the risk profile of Islamic banks can be conducted by evaluating eight existing risks: financing, liquidity, market, legal, operational, strategic, compliance, and reputation (Sarmigi, 2022).

Good Corporate Governance

The application of GCG for commercial banks involves five principles: accountability, transparency, fairness, responsibility, and independence (Wardani & Nurhayati, 2021). These principles must be utilized by companies in assessing GCG, such as managing existing human resources to improve company performance.

Earnings

Several ratios can be used to assess the profitability of a bank's health, including Return on Asset (ROA) and Return on Equity (ROE). In this study, only ROE is used to determine the health level of Islamic banks.

Capital

Capital is assessed using the Capital Adequacy Ratio (CAR), which estimates the amount of capital owned by Islamic banks over a specific period divided by the risk-weighted assets during that period.

Relationship between RGEC with the Performance of Bank Syariah Indonesia

Based on POJK No. 8/POJK.03/2014 regarding the health assessment of BUS and UUS, one of the methods applied to assess the financial condition of Islamic banks is the RGEC method. In this study, the researcher analyzes the relationship between the RGEC method and the financial condition of Bank Syariah Indonesia post-merger. The ratios calculated include risk profile (NPF and FDR), corporate governance (bank management assessment), profitability (ROE), and capital (CAR). Through these calculations, it can be determined whether PT Bank Syariah Indonesia, Tbk. is in good financial health.

RESEARCH METHOD

Type of Research

This research belongs to the type of descriptive quantitative. Descriptive quantitative research is a method with a purpose to describe a situation objectively that uses numbers, starting from data collection, interpretation of the data and the results (Mehrad & Zangeneh, 2019).

Data Analysis Techniques

Data analysis techniques refer to the methods used to process, analyze, and interpret the collected data to find answers to the research problem (Evanirosa et al., 2022). In this study, the researcher manually processes the data and then analyzes it using techniques based on the RGEC methods. The ratios and formulas used in RGEC are:

Non-Performing Financing (NPF)

NPF is a ratio that provides information about the management's ability to address financing issues. An increasing ratio indicates a higher likelihood of financing problems, while a decreasing ratio suggests a lower likelihood (Handayani et al., 2021). The formula for measuring this ratio is:

$$NPF = \frac{\text{Total problematic financing}}{\text{Total financing}} \times 100\%$$

Financing to Deposit Ratio (FDR)

FDR is a ratio that demonstrates the Islamic bank's ability to meet its short-term needs by utilizing all available resources. A high ratio indicates poor liquidity when depositors wish to withdraw their funds. The formula for measuring this ratio is:

$$FDR = \frac{\text{Total financing}}{\text{Total third-party funds}} \times 100\%$$

Good Corporate Governance (GCG)

The assessment indicator is how risk management can control risks occurring in PT Bank Syariah Indonesia, Tbk. according to authentic principles in assessing effective corporate governance. Additionally, Islamic banks conduct self-assessment on several existing aspects (Lisa & Hermanto, 2020).

Return on Equity (ROE)

ROE is a ratio that demonstrates a bank's ability to return capital from its operations. A high ROE indicates that the Islamic bank is capable of generating profits from its operations. The formula for determining the value of this ratio is:

$$ROE = \frac{\text{Net profit}}{\text{Total equity}} \times 100\%$$

Capital Adequacy Ratio (CAR)

CAR reflects the adequacy of capital owned by the Islamic bank to cover potential losses from financing or investments. The formula for measuring this ratio is:

$$CAR = \frac{\text{Bank capital}}{\text{Risk-weighted assets}} \times 100\%$$

Research Framework

The research framework should include a clear outline of the research process, detailing how data will be collected, analyzed, and interpreted to answer the research questions effectively.

RESULTS

The merger of three state-owned Islamic banks—PT Bank BRI Syariah, PT Bank BNI Syariah, and PT Bank Syariah Mandiri—resulted in the establishment of Bank Syariah Indonesia (BSI). This merger aims to strengthen Indonesia's position in the global Islamic finance sector and enhance the bank's competitive edge. The analysis of BSI's performance post-merger is conducted using the Risk Profile, Good Corporate Governance, Earnings, and Capital (RGEC) method. The RGEC method assesses the financial health of banks through various indicators.

Risk Profile: The Non-Performing Financing (NPF) ratio for BSI was reported at 2.88% in 2020, 2.93% in 2021, and 2.42% in 2022, consistently placing it in the "very

healthy" category. The Financing to Deposit Ratio (FDR) also remained strong, indicating effective liquidity management, with values of 25.37% (2020), 23.65% (2021), and 25.70% (2022), all classified as very healthy.

Good Corporate Governance (GCG): BSI maintained a GCG score of 2 throughout the analyzed years, indicating good governance practices. Earnings: The Return on Equity (ROE) showed a progressive improvement from 11.18% in 2020 to 16.84% in 2022, reflecting a robust ability to generate profit from shareholders' equity. Capital Adequacy Ratio (CAR): BSI's CAR was recorded at 18.24% in 2020, 22.09% in 2021, and 20.29% in 2022, indicating a strong capital base to absorb potential losses.

Based on the analysis of the annual financial reports of Bank Syariah Indonesia, the position of ROE in 2020 was less healthy due to a decrease in profits compared to the previous year. But overall, the composite score using the RGECC method for BSI was 96% in 2021 and 2022, categorizing it as "very healthy".

DISCUSSION

The analysis of Bank Syariah Indonesia (BSI) post-merger reveals significant insights into its financial and non-financial performance, emphasizing the effectiveness of the RGECC methodologies. The findings indicate that BSI has maintained a strong financial position, characterized by a composite score of 96% using the RGECC method, which categorizes the bank as "very healthy." This outcome aligns with previous research that highlights the importance of financial health assessments in banking institutions.

The RGECC method provides a comprehensive framework for evaluating the financial health of banks by focusing on risk profile, governance, earnings, and capital. The results from this study show that BSI's Non-Performing Financing (NPF) ratio remained below 3% over the analyzed period, indicating effective risk management practices. This finding is consistent with the research conducted by Handayani et al. (2021), which emphasizes that a low NPF ratio reflects a bank's ability to manage credit risk effectively. The decrease in the NPF ratio from 2.93% in 2021 to 2.42% in 2022 further illustrates BSI's commitment to maintaining high-quality financing portfolios, which is crucial for sustaining profitability and customer trust.

Furthermore, BSI's Return on Equity (ROE) demonstrated a positive trend, increasing from 11.18% in 2020 to 16.84% in 2022. This aligns with the findings of Dura and Vionitasari (2020), who argue that a higher ROE signifies a bank's efficiency in generating profits from its equity base. The upward trajectory in ROE indicates that BSI is not only effectively utilizing its resources but is also enhancing shareholder

value, which is critical in a competitive banking environment.

The Capital Adequacy Ratio (CAR) for BSI also exceeded the regulatory requirements, reinforcing the bank's stability and capacity to absorb potential losses. The CAR increased from 18.24% in 2020 to 22.09% in 2021 before slightly declining to 20.29% in 2022. This observation is in line with Sarmigi (2022), who discusses the significance of maintaining adequate capital in ensuring financial resilience. The ability of BSI to maintain a CAR well above the minimum regulatory threshold suggests strong capital management practices, which are essential for mitigating risks associated with lending and investment activities.

This study also highlights the importance of evaluating non-financial aspects of performance, such as customer satisfaction, internal processes, and employee development. BSI's focus on customer engagement and satisfaction aligns with the findings of Aprizal (2018), which suggest that customer-centric strategies are crucial for the success of Islamic banks in a competitive environment. BSI's commitment to enhancing customer experience through innovative products and services indicates a strategic alignment with market demands, which is vital for retaining and attracting customers.

Kaplan and Norton (1996) argue that organizations should establish a complete internal value chain, which includes innovation and customer service. BSI's initiatives in streamlining its internal processes and adopting digital banking solutions reflect its alignment with this principle, ultimately contributing to improved service delivery and customer satisfaction. The integration of technology in service processes not only enhances efficiency but also positions BSI as a forward-thinking institution in the Islamic banking sector.

Research by Wiguna et al. (2019) indicates that investing in employee training and development is vital for sustaining competitive advantage in the banking sector. BSI's emphasis on continuous professional development for its workforce is likely to foster a culture of innovation and responsiveness to market changes. By equipping employees with the necessary skills and knowledge, BSI can enhance its operational capabilities and improve overall performance.

The findings of this study contribute to the existing literature on Islamic banking performance, particularly in the context of mergers. The RGEC methodologies provides a robust framework for assessing financial performance. These methodologies not only enhance the understanding of BSI's current performance but also serve as a blueprint for other Islamic banks undergoing similar transformations.

Furthermore, examining the socio-economic impacts of Islamic banking on local communities could enrich the understanding of the broader implications of

Islamic finance. This aligns with the principles of social responsibility and ethical banking that are central to Islamic finance, as highlighted by Sahay (2016). By focusing on community engagement and development, Islamic banks like BSI can reinforce their commitment to social welfare while achieving their financial objectives.

CONCLUSION

The analysis demonstrates that Bank Syariah Indonesia has successfully maintained a robust financial position post-merger, characterized by healthy risk management, effective governance, and strong profitability. The RGEK methodologies provides a comprehensive view of BSI's performance, indicating that it is well-positioned to navigate future challenges in the Islamic banking sector.

Future research could explore the long-term impacts of mergers on Islamic banks' performance, considering factors such as market share, customer loyalty, and competitive positioning. Additionally, research could investigate the influence of emerging technologies, such as fintech, on the performance of Islamic banks. This aligns with the ongoing discourse in the literature regarding the need for banks to adapt to technological advancements to remain competitive. Investigating the integration of fintech solutions in Islamic banking could provide valuable insights into how these innovations can enhance operational efficiency and customer engagement.

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