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Analysis of the Effect of the Merger of BUMN Syariah Banks on Company Profitability

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ABSTRACT

Three state owned sharia banks including Bank Mandiri Syariah (BSM), Bank Negara Indonesia Syariah (BNIS) and Bank Rakyat Indonesia Syariah (BRIS) are planned to be merged by the government. On February 1, 2021, the three state-owned Islamic banks merged to become Bank Syariah Indonesia (BSI). As a new milestone in the strength of the national economy, the merger was carried out by the government as a commitment and effort to improve the sharia economy. In the long run, it will push Indonesia to become a universal Islamic financial center. The purpose of this study was to determine the level of profitability of Bank Syariah Mandiri, Bank Rakyat Indonesia Syariah, and Bank Negara Indonesia Syariah before and after joining as BSI. The method used in this study is a descriptive qualitative method, by calculating profitability ratios such as Operating Profit Margin, Net Profit Margin, Return On Assets, Return On Equity, and Return On Investment which are obtained from the annual reports of Bank Syariah Mandiri, Bank Negara Indonesia Syariah and Bank Rakyat Indonesia Syariah for 2019-2020 and an annual report for 2021 for Bank Syariah Indonesia (BSI). Based on the calculation results, the overall comparison of the profitability ratios for 2019-2021 before and after the merger has increased, because the advantages of each BUMN Islamic bank which are then combined will have a good impact on the company's performance.

1. INTRODUCTION

The currently developing economic activity is the banking sector. In Indonesia, there are two types of banks based on pricing methods: conventional banks and Islamic banks. In principle, the two banks have the same goal. According to Atikah et al. (2021) "conventional banks are banks that work conventionally and also as financial intermediary institutions carried out by Rural Credit Banks". Meanwhile, Islamic banks are banks whose operational activities are based on Islamic provisions; in practice, they do not charge and do not pay interest to users. Benefits made by Islamic banks are either received by or paid to customers in accordance with the agreement between the bank and the customer (Andriyanto, Anang, 2019: 25–26).

In general, one of the financial institutions that has a significant impact on the community's economy is Islamic banks. In general, Islamic banks function as intermediary institutions that collect money from the public and then distribute this money to those in need. Islamic banks require lawful economic activities, both in terms of the products that are the objects as well as how to obtain and use them. Islamic banks are a solution for people with strong religious beliefs to avoid bank interest (usury) (Hasan, 2014: 100). Based on a quote from the Minister of State-Owned Enterprises (BUMN), Erick Thohir stated that "the planned merger of BUMN Islamic banks will increase the total assets of the BUMN Islamic banks so that they become the largest in Indonesia, also creating positive performance" (CNN Indonesia, 2020). On Monday, February 1, 2021, the planned merger of BUMN Islamic banks was realized as part of a large program by the Indonesian government. It is hoped that with the merger, the three banks will make Islamic economics and finance a new benchmark for national economic power and make it one of the universal Islamic financial centers, so that the Indonesian people get a lot of benefits from the existence of Islamic banks.

With the government's policy breakthrough to carry out the merger of the three Islamic banks, it is hoped that this will provide an alternative to the public for new financial institutions while at the same time being able to improve the national economy (Ahmad Sani, 2021). This merger of Islamic banks aims to encourage the growth of larger Islamic banks so that they can enter the global market and become a stimulus for Islamic economic growth in Indonesia. In addition to this, the merger of Islamic banks is considered to be more efficient in terms of raising funds, spending, and operations (Erpiana Siregar, 2020). With this merger, it is hoped that Islamic banking will continue to develop and grow to become a new force for the national economy and will become a state-owned bank that is on par with other state-owned banks, which will be beneficial in terms of bank policy and transformation (Ahmad Sani, 2021). This Islamic bank merger has procedures as company steps or actions carried out with the aim of achieving the goals desired by the company, which can increase value for stakeholders and have a positive impact on investors (Wiyono, 2021).

Based on the above information, it is necessary to study further the merger at Bank Rakyat Indonesia Syariah, Bank Negara Indonesia Syariah, and Bank Syariah Mandiri to determine whether it has an impact on the level of profitability or not after the merger is carried out. It is hoped that this research can become a reference for further research on the same topic and can be useful for writers and readers in determining the development of the profitability of Bank Syariah Mandiri (BSM), Bank Rakyat Indonesia Syariah (BRIS), and Bank Negara Indonesia Syariah (BNIS) after the merger into a Bank Indonesian Sharia (BSI).

2. LITERATURE REVIEW

2.1 Bank Syariah Mandiri (BSM)

Since its inception, Bank Syariah Mandiri has changed its name five times. On June 15, 1955, PT. National Industrial Bank (BINA) was established. Then it changed its name to PT. Bank Maritim Indonesia on April 6, 1967. PT. Bank Maritim Indonesia was again changed to PT. Bank Susila Bakti (BSB) on August 10, 1973, and underwent a transition of business activities from Conventional Commercial Banks (BUK) to Sharia Commercial Banks (BUS). On May 19, 1999, this transition resulted in a change of name from PT. Bank Susila Bakti to PT. Sakinah Mandiri Sharia Bank. After that, in 1999, the name was changed again from PT. Sakinah Mandiri Syariah Bank to PT. Bank Syariah Mandiri on September 8, 1999. Then on October 25, 1999, I obtained a business license from Bank Indonesia (BI) as a sharia commercial bank based on a decree of the Governor of Bank Indonesia. Officially, on November 1, 1999, or Monday, 25 Rajab 1420 H., PT. Bank Syariah Mandiri starts operating. In October 2020, PT Bank Syariah Mandiri signed a conditional merger agreement (CMA) and a merger plan stating that on February 1, 2021, PT. Bank Syariah Mandiri will merge with PT. BRI Syariah, where PT. BRI Syariah is a bank that received the merger of two other state-owned bank subsidiary companies, PT. Bank Syariah Mandiri (BSM) and PT. BNI Syariah (BNIS) (Bank Syariah Mandiri, 2020).

2.2 Bank Negara Indonesia Syariah (BNIS)

The Bank BNI Sharia Business Unit (UUS) was established on April 29, 2000, with five branch offices as a manifestation of the potential development of the Islamic economy in Indonesia, which is a country with the largest Muslim community in the world. In 2003, the corporate plan of the Sharia Business Unit (UUS) stipulated that the status of the Sharia Business Unit (UUS) was temporary and a spin-off would be carried out simultaneously with the issuance of Law No. 21 of 2008 concerning Sharia Banking and Bank Indonesia Regulation No. 11/10/PBI/2009 on March 19, 2009. "Becoming the people's preferred sharia bank that excels in service and performance" has been the vision of BNI Syariah from the start. BNI Syariah continues to develop into a significant provider of sharia banking services in Indonesia (Bank Negara Indonesia Syariah, 2020).

2.3 Bank Rakyat Indonesia Syariah (BRIS)

Through letter No. 10/67/KEP.GBI/DPG/2008, BRI Syariah obtained a business license from Bank Indonesia on October 16, 2008, and began operating on November 17, 2008 under the name PT. BRI Syariah. All business operations of PT. BRI Syariah are based on Islamic sharia law. BRI Syariah is dedicated to providing the best service and encouraging positive growth, with a focus on various community groups. The customer base that has been formed widely throughout Indonesia has made BRISyariah a leading modern retail bank with a variety of financial services tailored to customer needs and the easiest access to a more meaningful life. (Bank Rakyat Indonesia Syariah, 2019).

2.4 *Merger*

Government Regulation Number 28 of 1999, Company Law Number 40 of 2007, and Sharia Banking Law Number 21 of 2008 regulate bank mergers. The purpose of corporate actions such as mergers is to increase value for shareholders. In addition, a merger is a business strategy in which two or more companies agree to combine their operational activities in a relatively balanced manner because they have resources and capabilities that, when combined, can create stronger advantages over competitors (Marwan, Ahmad Afdhol, 2021: 1).

2.5 Bank Syariah Indonesia (BSI)

Bank Syariah Indonesia (BSI) is the result of a merger between PT. BRI Syariah, PT. Bank Syariah Mandiri, and PT. BNI Syariah. The Financial Services Authority (OJK) officially supported the merger of three Islamic financial institutions and granted a merger permit on January 27, 2021. In addition, on February 1, 2021, BSI was inaugurated. The composition of BSI investors includes 50.83% of PT. Bank Mandiri (Persero) Tbk, 24.85% of PT. Bank Negara Indonesia (Persero) Tbk, and 17.25% of PT. Bank Rakyat Indonesia (Persero) Tbk. The rest are investors, each of whom is under 5%.

The advantage of the merger of these three Islamic banks is that they provide a wider range of services, more complete facilities, and a better increase in capital capacity. Indonesian Sharia Banks are encouraged to be able to compete at the global level with the support of synergy from the business world and government commitment from the Ministry of BUMN so that they can continue to grow and become the world's leading Islamic bank group. The positive performance and growth climate support the Indonesian government's mission to build a strong national halal industry and Islamic banking system, in addition to the opportunities presented by Indonesia as the largest Muslim country in the world. Under these conditions, the presence of Bank Syariah Indonesia (BSI) is very important, not only because it can facilitate all economic activities in the halal industrial order but also because it is one of the efforts to fulfill the nation's expectations (Bank Syariah Indonesia, 2021).

2.6 Financial Performance

Indicators of capital adequacy, liquidity, and profitability are usually used to measure financial performance, which describes the company's financial condition during a certain period both in terms of raising and distributing funds (Jumingan, 2006). The company's financial performance in mergers and acquisitions is determined by its level of liquidity, solvency, and profitability. By evaluating the financial performance of a company, decision-making can assess the results of business activities and strategies (Mbuthia, W., 2021).

2.6.1 Profitability

According to Yusuf and Surjaatmadja (2018), profit is excess income after deducting the total costs incurred. Profitability shows the company's ability to gain profits from capital, sales, and total assets. When evaluating the financial performance of a company or bank, profitability becomes an important aspect. The more the profitability of a company increases, the more guaranteed the company's activities are (Evi Maulida, 2021). According to Sinta Krismaya (2021), several ratios are used to measure profitability, including:

2.6.1.1 Operating Profit Margin (OPM)

Operating profit margin (OPM) is a profitability ratio calculation that is used to show a company's capability to generate operating profit from net sales or total revenue.

2.6.1.2 Net Profit Margin (NPM)

Net profit margin (NPM) is a company's ability to generate net profit after tax from total net income or net sales.

2.6.1.3 Return On Asset (ROA)

Return on Assets (ROA) is a calculation of the profitability ratio used to assess the company's capability to benefit from all assets or assets owned by the company. According to Margaretha (2007), ROA shows how well a company's management manages its assets to generate income. The company's profit seen from the use of assets states that the higher the ROA value, the higher the profit the company gets.

2.6.1.4 Return On Equity (ROE)

Return on equity (ROE) is the rate of return received by management on capital invested by shareholders.

2.6.1.5 Return On Investment (ROI)

Return on Investment (ROI) is a profitability calculation ratio used to determine a company's capability to benefit from investment activities.

3. METHODOLOGY

This study uses a descriptive quantitative method, and the data used is secondary, namely, data in the form of information sourced from reading journals and annual financial reports (annual report) for the period 2019–2020 before the merger, which includes Bank Syariah Mandiri (BSM), Bank Rakyat Indonesia Syariah (BRIS), Bank Negara Indonesia Syariah (BNIS), and Bank Syariah Indonesia (BSI) financial reports for 2021 after the merger. The results of

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the data calculations are analyzed using profitability ratios, including operating profit margin (OPM), net profit margin (NPM), return on assets (ROA), return on capital (ROE), and return on investment (ROI). In addition, data calculations also use descriptive statistical analysis to calculate the average (mean). The following formula is used in calculating the profitability ratio:

3.1 Operating Profit Margin (OPM)

$$\text{OPM} = \frac{\text{EBIT}}{\text{net sales}} \tag{1}$$

Information :

Earning Before Interest Tax = EBIT

3.2 Net Profit Margin (NPM)

$$\text{NPM} = \frac{\text{EAT}}{\text{net sales}} \tag{2}$$

Information:

Earning After Tax = EAT

3.3 Return On Asset (ROA)

$$\text{ROA} = \frac{\text{EBIT}}{\text{total aset}} \tag{3}$$

3.4 Return On Equity (ROE)

$$\text{ROE} = \frac{\text{EAT}}{\text{Total ekuitas}} \tag{4}$$

3.5 Return On Investment (ROI)

$$\text{ROI} = \frac{\text{EAT}}{\text{total aset}} \tag{5}$$

4. RESULT AND DISCUSSION

4.1 Operating Profit Margin

Table 1. Comparison of Percentage of Operating Profit Margin Before Merger

BANK	% OPM	
	2019	**2020**
BRIS	2,05%	5,31%
BNIS	7,52%	6,36%
BSM	10,89%	11,38%
AVERAGE	6,82%	7,68%

Source: data that has been processed from the annual report.

Based on the data in **Table 1**, the results of the operating profit margin for each bank vary from year to year. It can be seen that the percentage of BRIS before the merger into BSI in 2019-2020 has increased by a difference of 3.26%, while for BNIS, the OPM has decreased by 1. 16%, and for BSM there was an increase of 0.49%. The average OPM results for the three banks combined were 6.82% in 2019 and increased by 0.86% to 7.68% in 2020.

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Tabel 2. Percentage of Operating Profit Margin After Merger

BANK	% OPM 2021
BSI	10,67%

Source: data that has been processed from the annual report.

The results of the data obtained by the authors in **Table 2** show that when the BRIS, BNIS and BSM banks merged to become BSI, they obtained an OPM of 10.67%, meaning there was an increase of 2.99% from the average OPM of BRIS, BNIS and BSM banks.

4.2 Net Profit Margin (NPM)

Tabel 3. Comparison of Net Profit Margin Percentage Before Merger

BANK	% NPM	
	2019	2020
BRIS	1,30%	3,25%
BNIS	5,66%	4,66%
BSM	8,10%	8,54%
AVERAGE	5,02%	5,48%

Source: data that has been processed from the annual report.

Based on **Table 3**, a comparison of the percentage of Net Profit Margin (NPM) in 2019-2020 before the merger to become BSI has fluctuated from year to year. It can be seen that the percentage of BRIS before the merger to become BSI in 2019-2020 has increased by 1.95% from.30% to 3.25%, for BNIS the NPM decreased by 1%, and for BSM it increased by 0.44%. If seen from the average NPM results (mean) of the three banks in 2019 and 2020, it increased by 0.46% from 5.02% in 2019 and 5.48% in 2020.

Tabel 4. Net Profit Margin Percentage After Merger

BANK	% NPM 2021
BSI	7,43%

Source: data that has been processed from the annual report.

Based on **Tables 3** and **4**, it can be compared that NPM acquisition at BRIS, BNIS, and BSM banks before and after the merger into BSI increased by 1.95% from 2020 of 5.48% to 7.43% in 2021, which shows that the average NPM of BRI, BNIS, and BSM banks has increased after the merger into BSI.

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4.3 Return On Asset (ROA)

Tabel 5. Comparison of the Percentage of Return on Assets Before the Merger

BANK	% ROA	
	2019	**2020**
BRIS	0,31%	0,81%
BNIS	1,82%	1,33%
BSM	1,69%	1,65%
AVERAGE	1,27%	1,26%

Source: data that has been processed from the annual report.

The results of Return on Assets in **Table 5** show that the percentage of ROA in 2019-2020 at BNIS and BSM has decreased; the difference in ROA reduction at BNIS is 0.49%, while the difference in decline at BSM is 0.04%. If seen from the average ROA results of the three banks in 2019, which were 1.27% and decreased to 1.26% in 2020.

Tabel 6. Percentage of Return on Assets After Merger

BANK	%ROA 2021
BSI	1,61%

Source: data that has been processed from the annual report

Based on the data the author obtained, when the BRIS, BNIS, and BSM banks merged into BSI, they obtained an ROA of 1.61%, meaning that there was an increase in the average ROA at BRI, BNIS, and BSM banks of 0.35% from the average ROA in 2020 before the merger by 1.26%.

4.4 Return On Equity (ROE)

Tabel 7. Comparison of Return On Equity Percentage Before Merger

BANK	% ROE	
	2019	**2020**
BRIS	1,57%	5,03%
BNIS	13,54%	9,97%
BSM	15,66%	15,03%
AVERAGE	10,26%	10,01%

Source: data that has been processed from the annual report

The results of Return on Equity in **Table 7** show that in 2019-2020, BNIS and BSM have decreased by a difference of 3.57% for BNIS and 0.63% for BSM. BRIS experienced an increase of 3.46%. Different from the results of previous calculations, ROE in 2019–2020 has decreased by a difference of 0.25%.

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Tabel 8. Persentase *Return On Equity* Setelah Merger

BANK	% ROE 2021
BSI	13,71%

Source: data that has been processed from the annual report

The data obtained by the author shows that when the BRIS, BNIS, and BSM banks merged into BSI, they obtained an ROE of 13.71%, meaning that there was an increase from the average ROE at BRI, BNIS, and BSM banks of 3.7% from the average ROA in 2020 before the merger of 10.01%.

4.5 Return On Investment (ROI)

Tabel 9. Comparison of Return On Investment Percentage Before Merger

BANK	% ROI	
	2019	2020
BRIS	0,17%	0,42%
BNIS	1,20%	0,91%
BSM	1,13%	1,13%
AVERAGE	0,83%	0,82%

Source: data that has been processed from the annual report

Based on the data in **Table 9**, return on investment (ROI) in 2019-2020 before the merger into BSI fluctuated, including: the percentage of BRIS before the merger into BSI increased from 0.17% to 0.42%; for BNIS, there was a decrease in ROI of 0:29%; and for BSM, there was no increase or decrease. Then, when viewed from the average ROI results of the three banks in 2019 and 2020, there was a decrease of 0.01% from 0.83% in 2019 to 0.82% in 2020.

Tabel 10. Percentage of Return On Investment After Merger

BANK	% ROI 2021
BSI	1,29%

Source: data that has been processed from the annual report

It can be compared to the results in **Tables 9** and **10**, which show that the acquisition of ROI at BRIS, BNIS, and BSM banks before and after the merger into BSI increased by 0.47% from 2020 of 0.82% to 1.29% in 2021, which shows that the average ROI of BRI, BNIS, and BSM banks has increased after the merger into BSI.

5. CONCLUSIONS

The results of calculating the profitability ratios, including OPM, NPM, ROA, ROE, and ROI, which have been carried out in the previous discussion, allow it to be concluded that, by carrying out the merger (merger) of the three state-owned banks, namely Bank Syariah Mandiri, Bank Negara Indonesia Syariah, and Bank Rakyat Indonesia Syariah in general, there is an influence on the level of profitability. It can be seen from the results of the comparison of the percentages before and after the merger that there has been an increase after the merger in 2021, one of which can be seen from the Return on Assets (ROA) ratio used to calculate the company's capability to generate profits from all assets: the higher the ROA ratio results, the better the productivity of assets in obtaining net profitability will be. Therefore, this

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shows that banks that merge will have a positive impact, such as an increase in performance and profitability, especially when compared to companies that do not merge.

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