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COMPARATIVE ANALYSIS OF NON-PERFORMING FINANCING AT PT. BANK SYARIAH INDONESIA, TBK (BSI) BEFORE AND AFTER THE MERGER

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ABSTRACT

Three government-owned Islamic banks were merged, namely PT. Bank BRI Syariah, PT. Bank BNI Syariah, and PT. Bank Mandiri Syariah became PT. Bank Syariah Indonesia (BSI) is an effort to improve the financial performance of Islamic banks so that they can be more competitive. This study aims to test and analyze differences in non-performing financing before the merger (2019 quarter II – 2020 quarter IV) and after (2021 quarter I - 2022 quarter III). The sample in this study is the quarterly financial reports of Bank BSI. The analytical method is a descriptive comparative method and uses a paired sample t-test analysis technique. The study results show significant differences in non-performing financing before and after the merger, which indicates that the union influences the risk of problem financing.

1. INTRODUCTION

Sharia Banking is a financial institution that runs a business according to Islamic principles. Indonesia has a substantial Muslim majority population, so Islamic banking has the potential to be at the forefront of the Islamic finance industry and an opportunity to compete with conventional banking (Prasetyandari, 2022). Conventional and Islamic banks will try to collect public funds distributed through financing. Banks will get income through interest, profit sharing, or margin through financing or credit so that banking companies will get a net profit or profit (Supriyanto et al., 2022). Meanwhile, Islamic banking is based on Islamic concepts: cooperation in schemes, profit sharing, and profit and loss. Islamic banks do not use interest as a tool to earn income or charge interest on the use of funds and loans because interest is riba which is forbidden. The pattern of profit sharing in Islamic banks allows customers to directly supervise the performance of Islamic banks by monitoring the amount of profit sharing obtained. The greater the number of bank profits, the greater the profit sharing received by customers, and vice versa (Umardani & Muchlish, 2017).

Several studies have revealed that Islamic financial performance is less competitive when compared to conventional banking. Slimen et al. (2022) state that Islamic banks are less efficient in terms of costs than traditional banks. Efforts to improve the financial performance of Islamic banks to be more competitive are through mergers. A merger is a merger of two or more companies, where one company will be merged into another or a new company (Prasetyandari, 2022). The decision of the Ministry of State-Owned Enterprises issued a policy to join three government-owned Islamic banks, namely PT. Bank BRI Syariah, PT. Bank BNI Syariah, and PT. Bank Mandiri Syariah became PT. Bank Syariah Indonesia, Tbk (BSI) (Supriyanto et al., 2022). The existence of this merger will impact each bank, where they must adapt so that they can support the company's performance resulting from the union (Sucipto, 2022).

However, from data published by the Islamic Financial Service Board/IFSB (2016) mentioned the average growth trend of Islamic Banks globally showed a decline fluctuated from 2010 to 2014 in terms of assets, financing and deposits. That too strengthened by publications from OJK regarding financial ratios as measured by ROE, NOM and The ROA of sharia banking financial performance has decreased from 2013-

2016. As for ratios that affect financial performance are BOPO, FDR, CAR based on previous studies With regards to performance Islamic banking, it turns out, is not only influenced by financial indicators. That matter stated in the research Mallin, Faraq, Yong, Kean. (2014) regarding Corporate Social Responsibility and Financial Performance in Islamic Banks which found a positive relationship between the two. Then also conducted research related to the effect of financial performance on social performance of Indonesian Islamic banks in 2010-2014 (Prasaja, 2018). BSI has total assets of IDR 214.6 trillion, composed of Bank Syariah Mandiri shares of 51.2 percent, BNI Syariah 25.0 percent, and the minor shareholder of 17.4 percent BRI Syariah Tbk. By Bank Indonesia Circular Letter Number 13/30/DPNP/2011, the profitability ratio represents the level or achievement of a bank's ability to generate profits. BSI's significant assets will increase profitability, where profitability can also be influenced by factors such as operational costs, non-performing financing (NPF), and operating income and exchange rates (Wardana & Nurita, 2022). In 2022 Quarter III, PT Bank Syariah Indonesia (BSI) recorded a positive performance, with net profit increasing by 42 percent to IDR 3.21 trillion in September 2022. BSI's performance with growth in total financing increased by 22.35 percent compared to the previous year's period, from IDR 163.31 trillion to IDR 199.82 trillion. This achievement was also supported by very healthy financing quality. This is reflected in the well-maintained Net Non-Performing Financing (NPF) ratio of only 0.59 percent. BSI recorded Third

Party Funds (DPK) reaching IDR 245.18 trillion, an increase of 11.86 percent in the same period. This study refers to the research of Ismanto and Laksono (2020), concluding that there are differences in the comparative data on the financial performance of Bank BRI Syariah, Bank Syariah Mandiri, and Bank BNI Syariah for the NPF ratio before and after the merger, while research conducted by Sucipto (Sucipto, 2022) concluded that there is no there is a significant difference in the ratio of gross non-performing financing (NPF gross) of PT Bank Syariah Indonesia, Tbk before and after the merger. Because there are differences in the results of this study, the researchers are interested in researching and testing how the differences in non-performing financing of Bank Syariah Indonesia (BSI) before and after the merger use the non-performing financing (NPF) ratio indicator so that results can be obtained by carrying out this merger, BSI's NPF will increase. Good or even harmful. With the above background, researchers conducted a study entitled "Comparative Analysis of Non-Performing Financing at PT. Bank Syariah Indonesia, Tbk (BSI) Before and After the Merger"

2. Literature Review

Signaling Theory

Signaling theory or signaling theory was first coined by Ross (1977), which states that managers are motivated to provide good information about their company to a public with limited information. The signal theory predicts that good financial reports are a signal or a sign that the company is operating well. The implication of signal theory in this study is that signal theory can explain the existence of banks as financial institutions that can be trusted to convey information about banking conditions through financial reports so that customers, shareholders, and potential investors can assess how banking financing conditions are, whether banks experience financing risks with problems with utilizing non-performing financing ratios so that customers can entrust their funds to banks to be adequately managed. Potential investors can make investment decisions in these banks, which will impact increasing profits and returns on investment.

Islamic Bank

Based on Law Number 10 of 1992 concerning banking, Islamic Banks are Commercial Banks that carry out business activities based on Sharia principles which, in their activities, provide services in payment traffic.

Non Performing Financing

The non-performing finance ratio is the ratio used to cover risks in financing banking companies (Ismanto & Laksono, 2020). Problem financing occurs when bank customers experience financially unfavorable conditions where customers are no longer able to repay loans or financing based on a certain agreed period (Sucipto, 2022). Based on the criteria set by Bank Indonesia, the NPF category includes substandard, doubtful, and lousy financing. Bank Indonesia determines the standard NPF value of 5 percent. The greater the NPF value, the greater the problematic financing. Conversely, the smaller the NPF, the smaller the problematic financing (Sucipto, 2022).

3. METHODS

This study used descriptive and comparative methods with a quantitative research approach. This method was used because in this study, the researchers made comparisons and tested differences in the average problem financing of Indonesian Islamic banks based on different times, namely the phenomenon before the merger (2019 quarter II – 2020 quarter IV) and after the merger (2021 quarter I - 2022 quarter

III) using non-performing financing ratio indicators. The sample in this study is the quarterly financial reports of PT. Bank Syariah Indonesia, Tbk (BSI) in 2019-2022. In this study, researchers used secondary data types. The secondary data contained in this study is the quarterly financial reports of PT. Bank Syariah Indonesia, Tbk (BSI) obtained through the websites www.bankbsi.co.id and www.ojk.go.id. The data collection methods used by researchers in this study were documentation, library, and internet studies. The NPF measurement scale uses a ratio scale with the following formula:

$$\boldsymbol{NPF} = \frac{\text{Total Troubled Financing}}{\text{Total All Financing}} X\ 100 \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots(1)$$

The method used by researchers in this study is descriptive, while the analytical technique is descriptive statistics. Descriptive analysis in this study was conducted to find information about non-performing financing. The information presented in descriptive statistics includes the presentation of data through tables, calculation of mode, median, mean, deciles, percentiles, and calculation of data distribution through calculating the average and standard deviation and percentages (Sugiyono, 2013). Testing the hypothesis in this study is the paired sample t-test by comparing the average non-performing financing before and after the merger in Indonesian Islamic banks. Based on the statement of Yamin and Kurniawan (2015), the paired sample t-test is used to compare whether there is a difference or similarity in the mean between two groups of data samples that are related or paired. The hypothesis in this study, namely:
H0 = There is no difference in non-performing financing before and after the merger at PT. Bank Syariah Indonesia, Tbk (BSI)
Before and during Covid-19.
Ha = There are differences in non-performing financing before and after the merger at PT. Bank Syariah Indonesia, Tbk (BSI)

4. RESULTS AND DISCUSSIONS

Results

The following is an overview of PT Bank Syariah Indonesia, Tbk's NPF for the 2019-2022 period, which can be seen in table 1.

Table 1 NPF Of PT Bank Syariah Indonesia, Tbk For The 2019-2022 Period

Periode	NPF Sebelum Merger	Periode	NPF Sesudah Merger
TW II 2019	4,98	TW I 2021	3,09
TW III 2019	4,45	TW II 2021	3,11
TW IV 2019	5,22	TW III 2021	3,05
TW I 2020	3,35	TW IV 2021	2,93
TW II 2020	3,23	TW I 2022	2,91
TW III 2020	3,01	TW II 2022	2,78
TW IV 2020	2,88	TW III 2022	2,67

Sumber: Laporan Triwulan Bank BSI, data diolah (2022)

The results of the descriptive statistical test in this study obtained 14 data samples from Bank BSI at the time before the merger (2019 quarter II – 2020 quarter IV) and after the merger (2021 quarter I - 2022 quarter III). The results of the descriptive statistical tests can be identified for the minimum, maximum, mean, and standard deviation values, which can be seen in table 2.

Table 2 Descriptive Statistics

Descriptive Statistics

	N	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*
NPF Before Merger	7	2.88	5.22	3.8743	.98239
NPF After Merger	7	2.67	3.11	2.9343	.16471
Valid N (listwise)	7				

Source: SPSS output version 22 (2022)

Table 2 above shows that the NPF has a minimum pre-merger value of 2.88 percent in the fourth quarter of 2020 and a maximum pre-merger value of 5.22 percent in the fourth quarter of 2019. Meanwhile, the minimum NPF after the merger is 2.67 percent in the third quarter of 2022, and the maximum value after the merger is 3.11 percent in the second quarter of 2021. The average NPF before the merger is 3.8743, and the average NPF after the merger is 2.9343. This shows that the average NPF after the merger had decreased compared to the average NPF before the merger, while the standard deviation of NPF before the merger was 0.98239 and 0.16471 after the merger.

Normality Test

The normality test in this study aims to test the normality of NPF data before the merger (2019 quarter II – 2020 quarter IV) and after the merger (2021 quarter I - 2022 quarter III) because customarily distributed data is a requirement for conducting a paired sample test. T-test. The normality test carried out by researchers in this study was the Shapiro-Wilk test. The normality test results in this study can be seen in table 3.

Table 3 Normality Test Results

Tests of Normality						
	Kolmogorov-Smirnov[a]			*Shapiro-Wilk*		
	Statistic	*df*	*Sig.*	*Statistic*	*df*	*Sig.*
NPF Before Merger	.275	7	.119	.857	7	.141
NPF After Merger	.187	7	.200*	.924	7	.503

Source: SPSS output version 22 (2022)

Based on table 3 above, it is known that the value of Sig. The NPF before the merger was 0.141, and the NPF after the merger was 0.503, which means that the value is greater than the probability value of 0.05, meaning that the NPF data is usually distributed.

Test Paired Sample T-Test

The paired sample t-test is used if the sample research data is usually distributed. In Table 4.3 above, the normality test results showed that the non-performing financing data for Bank BSI before and after the merger are typically distributed. The following results of the Paired sample t-test can be seen in table 4.

Table 4. Paired Sample Test Results

Paired Samples Test									
		Paired Differences							
					95% Confidence Interval of the Difference				
		Mean	*Std. Deviation*	*Std. Error Mean*	*Lower*	*Upper*	*t*	*df*	*Sig. (2-tailed)*
Pair	NPF Before Merger - NPF After Merger	.94000	.84333	.31875	.16005	1.71995	2.949	6	.026

Source: SPSS output version 22 (2022)

Based on table 4 above, it is known that the sig (2-tailed) NPF value of 0.026 is less than 0.05. This shows that the alternative hypothesis in this study is accepted, and H0 is rejected. Thus, there is a significant difference between the NPF before the merger and the NPF after the merger at PT Bank Syariah Indonesia, Tbk. This indicates that the merger affects the risk of non-performing financing where there is a decrease in the NPF ratio after the merger.

Discussions

There Are Differences In Non-Performing Financing (NPF) Before And After The Merger

The results of the study show that there are differences in the NPF before the merger and after the merger. The test results show that the risk of non-performing financing, as measured using the non-performing financing ratio at the time of the merger, is lower than the risk of non-performing financing before the merger. This means there is a reduced risk of uncollectible financing after a merger, where the customer's financial condition will begin to improve so that the customer can repay the loan. The lower the value of the NPF ratio, the lower the risk of non-performing financing that banks will experience. A credit restructuring relaxation policy provides relief for customers and business actors who have difficulty fulfilling their obligations so that a restructuring policy can ease the burden on customers in the process of paying off their credit loans. The credit restructuring relaxation policy is contained in the Financial Services Authority regulation POJK No.17/POJK.03/2021 regarding national economic stimulus as a countercyclical to the impact of the spread of Covid-19. The signaling theory explains that banks as signalers will signal recipients, namely customers, shareholders, or potential investors, regarding the risk of non-performing bank financing through NPF financial ratios so that signal recipients can assess the level of non-performing financing risks experienced by banks. The low NPF ratio in this study indicates the optimal distribution of financing provided by banks to customers, resulting in a lower risk of problematic financing that banks will experience.

This is because banks can manage financing risk well; before channeling bank financing, they conduct an analysis by considering the rate of return on financing to avoid the risk of problematic financing so that banks can maintain investor confidence. Return on customer financing enables banking operational activities to continue to run well. An NPF ratio value of below 5 percent indicates that the bank is giving a positive signal that banks can manage customer financing risks well, which means that banking financing management is good. Banks can maintain customer and investor trust so that they can increase bank credibility in investment activities and lending activities or fundraising activities.

Hassan and Giouvris' (Sucipto, 2022) findings also enrich their insights about mergers banking company. They found the facts of capital requirements, restrictions activity, and bank concentration increase the contribution of systemic risk in mergers national. Bank mergers increase productivity, but undermine technical efficiency, contrary to real estate bank agreements in which technical efficiency changes are accompanied with a lower contribution to systemic risk. Mergers also create social implications, especially on policy. Adverse nature of bank mergers with respect to systemic risk require strict and innovative monitoring of bank mergers from the level bids by acquirers and targets as well as regulators and regulatory bodies competition

This research is in accordance with the Synergy Theory which states that mergers and acquisitions occurs widely because mergers and acquisitions produce a “synergy”. Two or more companies will get greater profits when both of them merge compared to themselves. Wei et al., (2021) stated that synergy is widely and often considered the main reason behind merger and acquisition agreements. The synergy produces a new company value far greater than the combined value of each company if it stands alone. Broad synergies consist of financial synergies and operational synergies. Financial services companies join forces to save costs, reduce risk and increase revenue (Prasetyo Ramadhan et al., 2022).

Following Bank Indonesia (BI) provisions, a bank is said to be healthy if it has an NPF value below 5% Jatmiko (Pransiska & Ilmiah, 2022). Problem financing at a bank occurred before the covid-19 pandemic. After the outbreak of the Covid-19 pandemic, problem financing was even higher. So the government issued a policy to secure or anticipate losses caused by problem financing, namely the credit restructuring policy.

The results of this study differ from previous research conducted by Sucipto (2021), which stated that there was no significant difference in the NPF ratio before and after the merger. This shows that the occurrence of a merger does not affect the risk of problem financing. However, regarding the research results that there are significant differences in NPF, this research is supported by the research of Ismanto and Laksono (2020), which states that the NPF ratio is indicated to be affected by the merger so that there is a significant difference between before and after the merger. This is reflected in the value of NPL movements which tends to decrease, mainly when the merger has been carried out.

5. CONCLUSION

The ratio of Non-Performing Financing PT Bank Syariah Indonesia, Tbk before and after the merger experienced a difference, where the NPF value after the merger decreased compared to the time before the merger. The steps taken by banks to merge can reduce the risk of non-performing financing compared to before the banks merged business entities. Future research is expected to be able to conduct research with the same theme but by using a more extended range of research data and can add variables regarding the prospects for new Company shares resulting from the merger of the three banks because the bank has entered trading on the Indonesia Stock Exchange (IDX).

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