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The Effect of Mergers on Financial Performance in Indonesian Islamic Banks

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ABSTRACT
The expected purpose of this study is to determine whether there are differences in the financial performance of Bank Syariah Indonesia (BSI) before and after the merger. The type of research that the author did was descriptive research with a comparative analysis method.
The samples in this study are the annual financial statements of PT Bank BRI Syariah, PT Bank BNI Syariah and PT Bank Syariah Mandiri for the 2019-2020 period which represents the conditions before the merger and the financial statement data of PT Bank Syariah Indonesia, Tbk. for the 2021-2022 period which represents the conditions after the merger. The analysis technique used is panel data regression by conducting descriptive statistical analysis first.
From the results of the analysis, it can be seen that the partial effect of BOPO, CAR, NPF, and FDR on ROA is the same, or there is no difference before and after the merger. Where, for BOPO affecting ROA the results are the same before and after the merger which is not significant. Then, CAR affects ROA the same results before and after the merger, namely a significant positive effect. Then, NPF affects ROA the same result before and after the merger, which is a significant positive effect. Then, FDR affects ROA the results are the same before and after the merger, which is not significant.
Keywords: *Merger, Financial performance*

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I. INTRODUCTION

Based on Bank Indonesia Regulation No. 14/24/PBI/2012 on single ownership in Indonesian banking. Bank Indonesia issued a single presence policy. Single ownership is a policy that regulates a condition where controlling shareholders who control more than one bank in Indonesia must restructure their ownership by releasing one of the bank holdings or conducting a merger.

This policy requires controlling shareholders to focus on building and developing only one bank. The deterioration in the health of banks is caused by a variety of factors. The main factor that almost all banks face is the swelling number of non-performing loans and bad debts (Nasrullah, 2023). Merger activity is a very important business phenomenon, as evidenced by the increase in merger activity in recent years. The reason companies prefer to merge is because it is considered to create synergies for the company.

Islamic banking in Indonesia has experienced accelerated growth. This can be seen in terms of Islamic banking institutions whose numbers continue to grow. Based on Islamic banking statistics until the end of 2022, there were 14 Islamic Commercial Banks (BUS), 20 Islamic Business Units (UUS), and 163 Islamic People's Financing Banks (BPRS) (OJK, 2020). This means that Islamic banking has great potential in business competition in the banking sector in Indonesia. Likewise, it can also be seen on a national scale the condition of Islamic banking performance, based on the latest data, namely in December 2020, it can be seen that the market share of Islamic banking in Indonesia has experienced positive developments after stagnating at 5% for the last three years, namely 2017 to 2020. Finally in December 2020, the market share of Islamic banking could reach 6.51%. Despite the increase, this figure is still very low to reach the target set by Bank Indonesia, which is to reach 20%. Therefore, the contribution of Islamic banking to Islamic financial institutions is still relatively small. Conventional banking market share is still superior, reaching 93.49% compared to Islamic banking market share which is still far behind, reaching only 6.51% (OJK, 2020). When viewed from the total assets, conventional commercial banks also have assets that are far greater than Islamic banking. In December 2020, conventional banking assets reached IDR 8,780,820 in billion rupiah, while Islamic banking assets only reached IDR 593,948 in billion rupiah.

The following are some research results on the company's financial performance before and after the merger, however, they are not always in line and are interesting to study because of the many differences. (Silalahi& Christina, 2020) with research on Analysis of Differences in Company Financial Performance Before and After Merger (Study of Bank CIMB Niaga Listed on the IDX). The results of this study indicate that there are differences in the Net Profit Margin (NPM) and Financial Leverage Multiplier (FLM) ratios between before and after the merger, while the Total Asset Turnover (TATO), Return on Asset (ROA), and Return on Equity (ROE) ratios have no difference between before and after the merger.

II. THEORY

Merger is a strategic action of the company to develop its business. The success of a company in a merger can be seen from the company's performance, especially financial performance. The changes that occur after a company merges will usually appear in the company's performance and financial appearance. After the merger, the condition and financial position of the company has changed and this is reflected in the financial statements of the merged company.

As previously described, companies that conduct mergers based on synergy motivation, the overall value of the company after the merger is greater than companies with smaller synergy motivation. Where with synergy motivation will bring companies that do mergers experience a positive difference in their performance, without synergy motivation, companies that do mergers will only increase in asset value but at the same time the company's performance has the potential to decline. The synergy that occurs in companies that conduct mergers can be reflected in the company's performance. So a theoretical framework is established which states that the performance of synergistic companies after conducting a merger can be measured from financial ratios.

Consideration of researchers looking at the theory built and previous research, the researchers proxied the measurement of financial performance by looking at the Operating Cost of Operating Income, Capital Adequacy Ratio, Non Performing Financing, and Financing to Deposit Ratio as variables that affect Return On Asset. (Munawir, 2022)

III. METHODOLOGY

The type of research that the authors conducted was descriptive research with a comparative analysis method. The population in this study were PT Bank Syariah Mandiri, PT Bank BRI Syariah, PT Bank BNI Syariah, and PT Bank Syariah Indonesia. The sample in this study is the annual financial statements of PT Bank BRI Syariah, PT Bank BNI Syariah and PT Bank Syariah Mandiri for the 2019-2020 period which represents the conditions before the merger and the financial statement data of PT Bank Syariah Indonesia, Tbk. for the 2021-2022 period which represents the conditions after the merger.

This secondary data source is obtained from the company's official website through https://www.bankbsi.co.id/ and the official website of OJK (Financial Services Authority) through https://www.ojk.go.id/. The analysis technique used is panel data regression by conducting descriptive statistical analysis first.

IV. RESULT

This study does not use a different test tool but still distinguishes the results of descriptive research, can be described as follows: the results of the analysis show that the partial effect of BOPO, CAR, NPF, and FDR on ROA is the same, or there is no difference before and after the merger. Where, for BOPO affecting ROA the results are the same before and after the merger, which is not significant. Then, CAR affects ROA the same results before and after the merger, which is positively significant. Then, NPF affects ROA the same result before and after the merger, which is a significant positive effect. Then, FDR affects ROA the results are the same before and after the merger, which is not significant.

V. CONCLUSION

Based on the results and discussion presented in the previous chapter, it can be concluded that:

1) BOPO (Operating Expenses to Operating Income) is one of the ratios that measures the efficiency of bank operations. This ratio illustrates how much operating costs incurred by the bank in generating operating income. ROA (Return On Asset) is a ratio that measures the profitability of a bank based on its total assets. Because the Bank carries out the intermediary function, it is necessary to see that operating costs do not exceed the predetermined design. Because this case occurred at the Islamic Bank under study.

2) Financing to Deposit Ratio (FDR) is a ratio that measures the extent to which banks use funds from customers (deposits) to finance loans. Return on Assets (ROA), on the other hand, measures the profitability of the bank by comparing net income with total assets owned. Because the system in Islamic banks is profit sharing, it is necessary to adopt a credit analysis of conventional banks before extending credit to customers.

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