ANALYSIS OF DETERMINANT OF BANK SYARIAH INDONESIA (BSI) MARKET SHARE BEFORE AND AFTER THE MERGER

Atika Rukminastiti Masrifah[1], Intan Naillul Farich[2]
[1,2]Department of Islamic Economics, Faculty of Business and Politics, University of Darussalam Gontor, Ponorogo
Email: atikamasrifa@unida.gontor.ac.id (correspondence)

Abstract

Bank Syariah Indonesia (BSI) is a bank formed by the government from the merging of BRI Syariah, BNI Syariah, and Bank Syariah Mandiri. This study will use structure conduct performance theory (SCP) to examine market share drivers in BSI before and after the merger. Market share is a metric for determining how profitable a firm is at a certain point in time and in a given region. ROA, NPF, BOPO, and FDR are some variables utilized to determine market share. Secondary data was employed in conjunction with quantitative approach approaches. The information used comes from the Financial Services Authority (OJK) and financial reports of banks. Panel data regression applied to BSI before the merger and multiple linear regression applied to BSI after the merger were the models employed in this investigation. STATA 14 was used to experiment. The results of the regression data panel analysis revealed that the financial ratios utilized had a considerable impact on overall market share. As a result, our findings support the SCP theory that financial ratios used to gauge financial performance have an impact on market share. Following that, no significant effect on market share was found using estimates of the overall multiple linear regression variables ROA, NPF, BOPO, and FDR. The limited amount of time-series data used has an impact on insignificant outcomes. However, focusing just on each component reveals, dome promising potential in terms of BSI's existence. As a result, the author concluded that the government's merger is the best way to improve the performance of the Islamic finance business in Indonesia.

Keywords: **Structure-Conduct-Performance, Market Share, Bank Merger, BSI.**

INTRODUCTION

One of the measures used to determine the progress of Islamic banking is market share. The number of assets owned by the financial industry in a specific region and time is used to calculate market share. Indonesia's economic potential as a result of Islam is one of the reasons why Islamic banking has such a significant market share. However, when it comes to the amount of assets available, Indonesia still falls behind countries like Iran, Saudi Arabia, and Malaysia. This data shows the comparison market share of Islamic Banking and Conventional Banking in Indonesia:

Chart 1. Comparison of market share of Islamic Banking and Conventional Banking
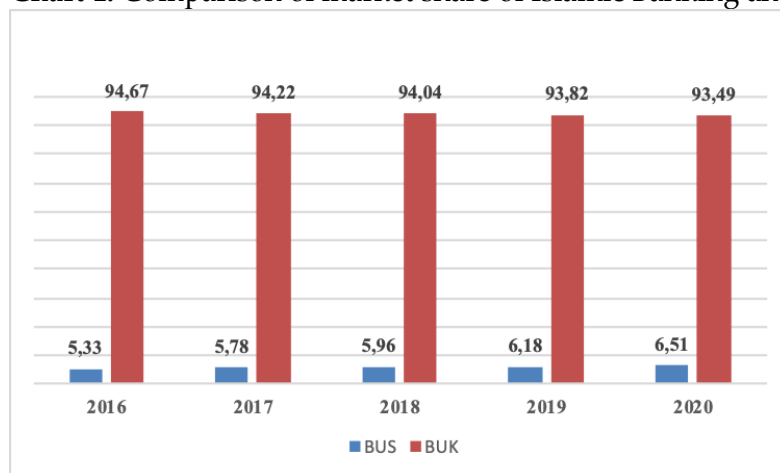
Source: Financial Service Authority (OJK), *data is processed*

According to the data, there is a potential increase in Islamic Banking every year. This feat has been made possible by the community's growing trust and enthusiasm for the Islamic banking business. When compared to Islamic financial assets globally, Indonesia's financial industry has not seen a major growth in market share in its development. Sharia Commercial Banks, on the other hand, are still lagging behind conventional commercial banks. Market share can be influenced by market structure, corporate conduct, and company performance, according to the Structure Conduct Performance theory. Financial success is one of the criteria that influence market share. Financial ratios are used to assess financial performance. As a result, financial ratios might have an impact on market share.

In general, several factors influence the expansion of Islamic banking, one of which is government regulation. Government-backed regulation is undoubtedly one of the determinants of Islamic banking's development. Iran, Saudi Arabia, and Malaysia for example are among the top three countries in terms of economic potential for Islam, particularly Islamic finance (ICD-Revinitif, 2021). The banking system is the backbone of the country's economy. An economy that is growing and expanding in the interpretation that it has a supporting financial system. A well-functioning financial system, as indicated by the existence of banking laws.

The Financial Service Authority (OJK) of the Government of the Republic of Indonesia has mandated a merger of three state-owned banks: Bank Mandiri Syariah, BNI Syariah, and BRI Syariah (Otoritas Jasa Keuangan, 2021). Diversifying wider business operations such as MSMEs, retail, and consumers, as well as foreign business development such as global sukuk, are all being done to boost the Islamic finance industry's market share (Alhusain, 2021). The good impact of these operations may be observed in the growing number of assets controlled by Bank Syariah Indonesia, allowing it to expand its market share. The value of the assets

acquired as a result of the merger is estimated to be Rp.214,6 trillion.

Several banks around the world have completed mergers, such as the one between Indian Overseas Bank and Bhaeat Overseas Bank on March 31st, 2017 (Naga and Tabassum, 2013). Meanwhile, Bank Mandiri, Bank Danamon, Bank Permata, and Bank Artha Graha have a history of large-scale merger activities in the case of the monetary crisis that occurred in 1997 - 1998 (Wendha and Alteza, 2020).

LITERATURE REVIEW

1.1. Market Share

(Blundell, Griffith, and Van Reenen, 1999) express their views on market share, which is defined as the outcome of corporate sales divided by the total sales of industries of the same type of company. According to (Cooper and Nakanishi, 2010), market share depicts the outcomes of a company's sales, either in terms of the number of things sold or profits created over a specific period and location.

1.2. Theory of Structure Conduct Performance

The Structure Conduct Performance (SCP) paradigm can be defined as the influence of a company's market structure on its behavior and performance. (Evanoff and Fortier, 1988) final analysis of this theory indicated that the company's efficiency can improve the company's market share, which has an impact on the company's concentration and profits.

1.3. Financial Performance

According to (Fahmi 2014), financial performance is an examination of a company's operations in correctly and adequately implementing financial rules. Ratio Analysis is used to assess a company's financial performance (Muqorobin and Nasir, 2009). According to (Hanafi, 2016) ROA is a ratio of the ability of the corporation to make profits measured using the total assets owned by the company after correcting for costs to fund the asset. NPF is credit or financing that is considered less smooth, doubtful, or badly represented in the rules and regulation affecting the assessment of the quality of commercial bank assets (OJK, 2017). (Desil and Amri, 2020) explain that BOPO is the ability of the bank to regulate operating costs has an impact on the market share and is another name for efficiency ratio. (Setiawan, 2009) explain that FDR is a metric that demonstrates an Islamic Commercial Bank's ability to pay immediate financial obligations.

1.4. Merger of BSI

A merger is a process of uniting two firms that were formerly two independent companies and merging them into one new company with a new name (Alam, Khan, and Zafar 2014). In February 2021, the Government of the Republic of Indonesia merged three state-owned banks, namely Bank Syariah Mandiri (BSM), Bank Rakyat Indonesia Syariah (BRIS), and Bank Negara Indonesia Syariah (BNIS), to form Bank Syariah Indonesia (BSI).

1.5. Reference Writing

According to (Nur Rianto Al Arif and Rahmawati, 2018) and (Fatihin and Hadi, 2018) ROA does not affect market share. But, on the other hand, (Eliana et al., 2020), (Lasrin, Hidayati, and Permadhy, 2021), and (Sandy, 2017) has a considerable impact on market share. Variable NPF according to (Sandy, 2017), (Desil and Amri, 2020), (and Fatihin and Hadi, 2018) has an impact on market share. The results of (Nur Rianto Al Arif and Rahmawati, 2018) and (Lasrin, Hidayati, and Permadhy, 2021) had no impact on market share. (Eliana et al., 2020)

and (Desil and Amri, 2020) BOPO did not affect market share. But, according to (Sandy, 2017), BOPO had a considerable impact on market share. Variable FDR according to (Nur Rianto Al Arif and Rahmawati, 2018) had no impact to market share. According to (Fatihin and Hadi, 2018) had little influence on market share.

RESEARCH METHODS

This research type of this study is quantitative research and uses secondary data from Financial Services Authority (OJK) and financial reports from BRIS, BNIS, BSM, and BSI. Market share is a dependent variable and ROA, NPF, BOPO, and FDR are the independent variables of this research. Panel Data regression was used for the estimation data of BSI before the merger. The equation applied in this study to determine the factors that influenced BSI's market share before the merger is as follows:

$$MS_{it} = \beta 0_{it} + \beta 1\ ROA_{it} + \beta 2\ NPF_{it} + \beta 3\ BOPO_{it} + \beta 4FDR_{it} + \epsilon_{it} \dots (1)$$

Multiple Linear Regression was used for BSI after the merger. The classical Assumption test was also used for this research. The authors looked at the data at three banks BRIS, BNIS, and BSM from January 2019 until January 2021. The data of BSI afterward merged from February 2021 to October 2021. STATA 14 was used to experiment. The equation applied in this study to determine the factors that influenced BSI's market share after the merger is as follows:

$$Y = \alpha + \beta^1 ROA^1 + \beta^2 NPF^2 + \beta^3 BOPO^3 + \beta^4 FDR^4 + + ei \dots (2)$$

FINDING AND ANALYSIS

The Fixed Effect model appears to be the best model of panel data regression results based on the outcomes of data processing utilizing STATA 14 Programs. The presence of heteroskedasticity was discovered using the traditional assumption test, hence it has to be enhanced using Cross-Sectional Regression Time Series Feasible Generalized Least Square. The traditional assumption test is not violated in the outcomes of estimations utilizing multiple linear regression.

The estimated regression result at BSI before the merger has a probability F value is 0,0000. As a result, the independent factors included in this study namely ROA, NPF, BOPO, and FDR have a considerable impact on the dependent variable or market share. The r-square inside the value is 0,5016 as a consequence. So, 50,16 percent of the independent variables have an impact on the dependent variables and 49,84 percent is influenced by the other factors. After the merger, the probability test is 0,6394 and indicating that independent variables do not alter the dependent variable when combined, and the R-Squared is 0,4059. The result of market share influence regression on ROA, NPF, BOPO, and FDR are listed in the table below:

Table 1. Regression Estimates Results

Variables	Before		After	
	Coefficient	P-Value	Coefficient	P-Value
ROA	-0,1407739	0,911	1,694968	0,326
NPF	2,71645	0,004	-1,469808	0,405
BOPO	-1,350939	0,000	0,1058135	0,798
FDR	-0,413011	0,367	0,1251379	0,407

(Source: STATA 14 output data results)

Based on the table, variable ROA before the merger has a negative direction with a coefficient value of -0,1408 and has an insignificant influence of more than 0,0000, according to the regression test result. To put it another way, ROA bearing on market share. According to data from BSI before the merger, the negative result is consistent with (Nur Rianto Al Arif and Rahmawati, 2018) and (Sandy, 2017). Multiple linear regressions show that the results have a positive direction with a coefficient of 1,6994 and an insignificant influence of more than 0,0000. The data before the merger is in line with (Fatihin and Hadi, 2018), (Eliana et al., 2020), and (Lasrin, Hidayati, and Permadhy, 2021).

Non-Performing Finance according to panel data regression has a positive direction with a coefficient of 2,7164 and has a considerable impact on market share because the p-value is 0,0004. These findings are also in line with (Desil and Amri, 2020), (Eliana et al., 2020), and (Sandy, 2017). Following the merger, the coefficient value in BSI is 0,405 with a p-value of 1,4698. This result is in line with (Nur Rianto Al Arif and Rahmawati, 2018), (Fatihin and Hadi, 2018), and (Lasrin, Hidayati, and Permadhy, 2021).

Operating Expenses Operating Income (BOPO) data before the merger has a negative direction with a coefficient -1,3509 and p-value of 0,000 and it is mean significant to market share. The result is consistent with (Desil and Amri, 2020) and (Eliana et al., 2020). BOPO has a positive direction in the multiple regression following the merger with a coefficient of 0,1058 and no meaningful influence on market share with a p-value of 0,798. This result is in line with (Sandy, 2017).

The Finance Deposit Ratio variable before the merger has a p-value of 0,367 which indicating has no impact on market share. The obtained coefficient is -0,4130, indicating that it is in the negative direction. This result is in line with (Fatihin and Hadi, 2018). The study utilized multiple linear regression, the coefficient value was 0,1251, and the p-value of 0,407. As a result, FDR has a positive but insignificant market share. This study is in line with (Nur Rianto Al Arif and Rahmawati, 2018).

In February 2021, BSI merged with another company. The year 2021 will be difficult for economies around the world, especially Indonesia. The covid-19 outbreak had a negative influence, particularly on the economic sector in several countries, resulting in crises in some countries. The spread of the covid-19 virus has resulted in a drop in people's economic activity, which could jeopardize financial stability. But Islamic banks are thought to have greater flexibility and resilience than regular commercial banks. The use of *mudharabah* and *musyarakah* contracts allows for flexibility and risk reduction. This data gives financial information of Bank Syariah Indonesia before and after the merger:

Chart 2. Financial Information of BSI Before and After Merger
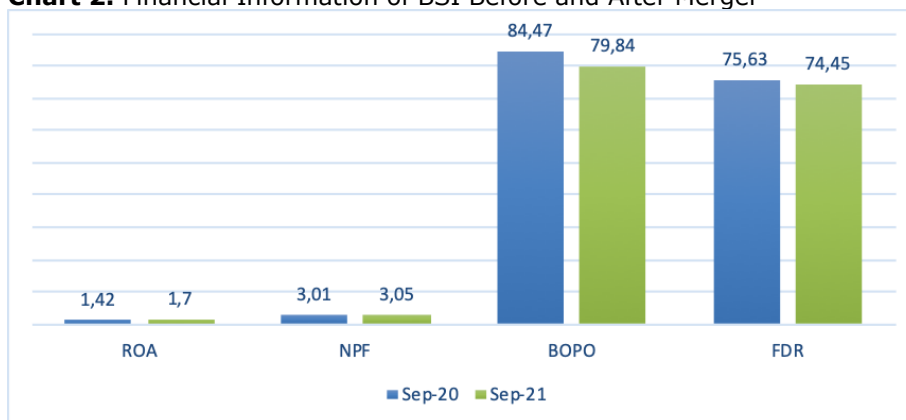
Source: 9M 2021 Result PT Bank Syariah Indonesia, Tbk, *data is processed*

ROA is a ratio that calculates a bank's profitability. The profit and total assets are the elements utilized to compute ROA. Profitability will rise if the bank can improve its efficiency. Operating Expenses and Operating Income influence the increase or decrease of ROA. When BOPO rises, the operational expenses created the operating income. As a result, it is possible to conclude that the resulting profit has increased as a result of BSI's improved efficiency following the merger.

NPF ratio before the merger was 3,01% while after the merger it was 3,05%. There was a 0,04% increase after the merger. The NPF ratio observes problematic financing movements. The first reason is that the merger of banks in addition to having a positive impact such as increases in assets and profits, also has an impact on various problems before the merger occurs. Therefore, it can be said that it is natural for this to happen. The second reason is the economic condition of Indonesia and the world which is undergoing changer due to the pandemic.

The BOPO ratio of BSI decreased following the merger. This signifies that the company's efficiency is higher than it was before the merger. Some factors influencing the decline of BOPO include the choice of Bank Syariah Mandiri and the IT Platform employed. The IT platform utilized by BSM is Temenos and Anabatic Technologies, which creates the Core Banking System and is well renowned. The system is a system designed exclusively for Islamic Banking that can reduce manufacturing costs and operational risk.

The FDR ratio evaluates the bank's ability to return funds that must be used. The money is derived via customer financing. The decrease in FDR occurs for reasons that are not dissimilar to the NPF ratio, which is connected to funding.

When taken as a whole, the time after the merger has a direction that corresponds to the proposed hypothesis but has a negligible influence. The outcome is minimal because the amount of data used is only 9 time-series data. However, BSI's youth does not diminish his or her ability potential. As a result, the author decided that the government's merger was the proper thing to do. This is consistent with the merger's goal of broadening larger companies such as micro, small, and medium enterprise, retail, and foreign company development.

CONCLUSION

The analysis of the market share determinants of Bank Syariah Indonesia before the merger had a substantial influence on the market share. After the merger of the criteria utilized, insignificant results on the statistical test of BSI do not affect market share. However, when assessed in terms of financial performance, it demonstrates substantial progress. This can be seen in the performance of each variable employed. As a result, it is possible to conclude that the government-led merger offers great potential for BSI.

REFERENCES

[1] Alam, Ayesha, Sana Khan, and Fareeha Zafar. 2014. "Strategic Management: Managing Mergers & Acquisitions." *International Journal of BRIC Business Research* 3 (1): 1.

[2] Alhusain, Achmad Sani. 2021. "Bank Syariah Indonesia: Tantangan Dan Strategi Dalam Mendorong Perekonomian Nasional." *Bidang Ekonomi Dan Kebijakan Publik Info Singkat* XIII (3): 19–24.

[3] Blundell, Richard, Rachel Griffith, and John Van Reenen. 1999. "Market Share, Market Value and Innovation in a Panel of British Manufacturing Firms." *Review of Economic Studies* 66 (3): 529–54. https://doi.org/10.1111/1467-

937X.00097.

[4] Cooper, Lee G, and Masao Nakanishi. 2010. *Market Share Analysis : Evaluating Competitive Marketing Effectiveness*. *Kluwer Academic Publishers*.

[5] Desil, Ismi Mauli, and Amri. 2020. "Faktor-Faktor Yang Mempengaruhi Peningkatan Market Share Bank Umum Syariah (BUS) Di Indonesia." *Ilmiah Mahasiswa Ekonomi Islam* 2 (1): 18–31.

[6] Eliana, Nazri Zarman, Ismuadi, Intan Novia Astuti, and Ayimiati. 2020. "Determinan Market Share Perbankan Syariah Di Indonesia." *Bisnis Dan Manajemen* 10 (2): 183–200. https://doi.org/10.21580/at.v12i2.6449.

[7] Evanoff, Douglas D, and Diana L Fortier. 1988. "Reevaluation of the Structure-Conduct- Performance Paradigm in Banking." *Financial Service Research* 1 (2): 277–94.

[8] Fahmi, Irham. 2014. *Analisis Kinerja Keuangan*. Bandung: Alfabeta.

[9] Fatihin, Muh Khairul, and Nizar Hosfaikoni Hadi. 2018. "Determinants of Sharia Banking Market Share Growth in Indonesia." *Airlangga International Journal of Islamic Economics and Finance* 1 (2): 89.

[10] Hanafi, Mamduh M. 2016. *Analisis Laporan Keuangan*. Yogyakarta: UPP STIM YKPN.

[11] ICD-Revinitif. 2021. "Islamic Finance Development Report 2021." http://www.refinitiv.com/en/islamic-finance.

[12] Lasrin, Deby Aryanti, Siti Hidayati, and Yul Tito Permadhy. 2021. "Analisis Faktor-Faktor Kinerja Keuangan Yang Mempengaruhi Market Share Perbankan Syariah Di Indonesia." *Korelasi* 2 (1): 728–43.

[13] Muqorobin, Agus, and Moech Nasir. 2009. "Penerapan Rasio Keuangan Sebagai Alat Ukur Kinerja Perusahaan." *Manajemen Dan Bisnis* 13 (1).

[14] Naga, Sai V Radha, and Sultana Syed Tabassum. 2013. "Financial Performance Analysis in Banking Sector – A Pre and Post Merger Perspective." *Advances in Management* 6 (10): 55–62.

[15] Nur Rianto Al Arif, M., and Yuke Rahmawati. 2018. "Determinant Factors of Market Share: Evidence from the Indonesian Islamic Banking Industry." *Problems and Perspectives in Management* 16 (1): 392–98. https://doi.org/10.21511/ppm.16(1).2018.37.

[16] Otoritas Jasa Keuangan. 2021. *Penumuman Hasil Penggabungan Usaha Bank Syariah Indonesia*. Indonesia. www.idx.co.id.

[17] Otoritas Jasa Keuangan (OJK). 2017. *Peraturan Otoritas Jasa Keuangan Nomor 15/Pjok.03/2017*.Indonesia. https://www.ojk.go.id/id/regulasi/Documents/Pages/Penetapan-Status-dan-Tindak-Lanjut-Pengawasan-Bank-Umum-/SAL POJK 15 Exit Policy Bank Umum.pdf.

[18] Sandy, Muhamad. 2017. "Aspek Pengaruh Faktor-Faktor Kinerja Dan Aspek Teknologi Terhadap Market Share Perbankan Syariah Di Indonesia Periode 2011-2016." In *Tesis*, 75.

[19] Setiawan, Adi. 2009. "Analisis Pengaruh Faktor Makroekonomi, Pangsa Pasar Dan Karakteristik Bank Terhadap Profitabilitas Bank Syariah." Universitas Diponegoro.

[20] Wendha, Dicha Nur, and Muniya Alteza. 2020. "Analisis Efisiensi Perbankan Hasil Merger Di Indonesia Dengan Metode Two-Stage Data Envelopment Analysis." *Ilmu Manajemen* 17 (2): 85–97.