

# THE STUDY OF THE BANK SYARIAH INDONESIA MERGER BASED ON THE SWOT ANALYSIS

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## **Abstrak**

*Indonesia sebagai negara dengan penduduk muslim terbesar di dunia, memiliki potensi untuk menjadi yang terdepan dalam industri keuangan Syariah. Meningkatnya kesadaran masyarakat terhadap halal matter serta dukungan stakeholder yang kuat, merupakan faktor penting dalam pengembangan ekosistem industri halal di Indonesia. Keberadaan industri perbankan Syariah di Indonesia sendiri telah mengalami peningkatan dan pengembangan yang signifikan dalam kurun tiga dekade ini. Inovasi produk, peningkatan layanan, serta pengembangan jaringan menunjukkan trend yang positif dari tahun ke tahun. Bahkan, semangat untuk melakukan percepatan juga tercermin dari banyaknya Bank Syariah yang melakukan aksi korporasi. Tidak terkecuali dengan Bank Syariah yang dimiliki Bank BUMN, yaitu Bank Syariah Mandiri, BNI Syariah, dan BRI Syariah. Jika kita melihat perkembangan perbankan syariah dan hasil studi merger bank di negara lain, penulis akan mencoba membahas fenomena yang terkait dengan merger bank BUMN syariah di Indonesia menggunakan pendekatan SWOT. Penelitian ini menggunakan studi pustaka (library research) dimana dalam penelitian ini yang dalam datanya berasal dari literatur-literatur yang berkaitan dengan judul yang diteliti. Dalam penelitian ini penulis menghimpun data dari penelitian yang ada dan ringkasan laporan tentang merger yang dilakukan oleh 3 bank syariah yaitu Bank BRI Syariah, Bank Syariah Mandiri dan Bank BNI Syariah. Dapat disimpulkan Bank Syariah Indonesia memiliki kekuatan modal dan sumber dana yang kuat, regulasi, fasilitas dan dukungan dari pemerintah dan telah memiliki M-Banking BSI mobile. Kelemahan yang dimiliki Bank Syariah Indonesia adalah model bisnis dan produk yang kurang kompetitif, kualitas dan kuantitas SDM yang kurang optimal, masalah integrasi dan budaya perasabaan, ekosistem dan teknologi informasi yang masih tertinggal dari bank konvensional. Peluang yang dimiliki Bank Syariah Indonesia adalah merambah pasar yang sebelumnya tidak bisa diakses sebelumnya, meningkatnya jumlah investor di pasar modal Syariah, pembiayaan sukuk global, ekosistem financial technology, upaya pemerintah dan akademisi dalam menumbuhkan inklusi keuangan digital dan keuangan dan besarnya populasi muslim di Indonesia. Ancaman yang muncul adalah masihnya rendahnya literasi dan inklusi system perbankan Syariah, meningkatnya resiko pembiayaan masalah likuiditas, rasio pembiayaan bermasalah dan teknologi financial competitor lebih baik. Disarankan bahwa merger ini mengeksplotasi sinergi, mengurangi tumpang tindih dalam operasi, ukuran yang*

tepat, dan memindahkan kelebihan staf baik dengan pelatihan ulang, restrukturisasi tenaga kerja, atau pensiun sukarela. Penggabungan tersebut juga memenuhi kebutuhan untuk pengembangan, mengurangi tingkat persaingan dan membuat substansi yang sangat besar antara BUMN Perbankan Syariah.

**Kata Kunci:** Bank Syariah Indonesia, Merger, Analisis SWOT

### **Abstract**

*As a country with the largest Muslim population globally, Indonesia can become a leader in the Islamic financial industry. The increased public awareness of halal matters and stakeholders' strong support are essential factors in developing the halal industry ecosystem in Indonesia. The Islamic banking industry in Indonesia itself has experienced a significant increase and development in the past three decades. Product innovation, service improvement, and network development show a positive trend from year to year. The spirit to accelerate is also reflected in the number of Islamic banks that take corporate actions. Sharia banks owned by State-owned banks are no exception, namely Bank Syariah Mandiri, BNI Syariah, and BRI Syariah. Indonesia uses the SWOT approach. This study uses a literature study where the data come from literature related to the title under study. In this study, the authors collected the data from existing research and summary reports on mergers carried out by 3 Islamic banks, namely BRI Syariah Bank, Mandiri Syariah Bank, and BNI Syariah Bank. It can be concluded that Bank Syariah Indonesia has massive capital strength and sources of funds, regulation, facilities, and support from the government and already has m-banking BSI Mobile. The weaknesses of Bank Syariah Indonesia are less competitive business models and products, less optimal quality and quantity of human resources, integration problems and corporate culture, ecosystems, and information technology that are still lagging behind conventional banks. The opportunities for Bank Syariah Indonesia are penetrating markets that were previously inaccessible, the increasing number of investors in the Islamic capital market, global Sukuk financing, the financial technology ecosystem, the efforts by the government and academia in growing digital and financial inclusion, and the large Muslim population in Indonesia. The threats that arise are the low literacy and inclusion of the Islamic banking system, the increasing risk of financing liquidity problems, the ratio of non-performing financing, and competitors' better financial technology. It was suggested that mergers exploit synergies, reduce overlaps in operations, right-sizing, and redeploy surplus staff either by retraining, restructuring labor, or voluntary retirement. The merger likewise meets the need for development, diminishing the degree of rivalry, and making an enormous substance between State-owned Islamic banking enterprises.*

**Keywords:** Bank Syariah Indonesia, Merger, SWOT analysis

## INTRODUCTION

According to the Law of the Republic of Indonesia Number 10 of 1998 concerning Banking article 1 paragraph 2, a bank is a business entity that collects funds from the public in the form of savings and distributes them to the public in the form of credit and/or other forms to improve the living standard of the people, and paragraph 3 explains the definition of commercial banks, namely banks that carry out conventional and sharia activities in providing financial services in payment traffics. The law also explains that Indonesia adheres to a dual banking system in the national banking system by recognizing the presence of banks with sharia principles to operate.<sup>1</sup>

The law that regulates the presence of Islamic banks in Indonesia is Law Number 7 of 1992 concerning Banking. This law does not explicitly regulate Islamic banks, but it states the permission for the presence of banks with the principle of profit-sharing followed by the issuance of Government Regulation (PP) Number 72 of 1992 concerning Banks based on the principle of profit-sharing. After Law Number 7 of 1992 was prolonged, the development of Islamic banks can be seen from the number of Islamic banks that did not increase.<sup>2</sup>

As a country with the largest Muslim population globally, Indonesia can be at the forefront of the Islamic financial industry. The increased public awareness of halal matters and stakeholders' strong support are essential factors in developing the halal industry ecosystem in Indonesia. This includes Islamic banks.<sup>3</sup> The Indonesian people began to recognize

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<sup>1</sup> UU Republik Indonesia No. 10 Tahun 1998, n.d.

<sup>2</sup> UU No. 7 Tahun 1992, n.d.

<sup>3</sup> Muhammad Izul Haq dan Arin Mamlakah Kalamika, "Kesejahteraan Nasabah perbankan Syariah di Daerah Istimewa Yogyakarta (Studi Preferensi Nilai Islam, Kalkulasi Sarana, dan Tujuan)" *Jurnal MD*, Vol. 2, No. 2, 2016. 179–196.

and use sharia-based banking services in 1992 named after the establishment of Bank Muamalat Indonesia (PT. BMI) as the first legal sharia bank. In the same year, the government also ratified Banking Law Number 7 of 1992 which was developed through Government Regulation Number 72 of 1992 concerning Islamic Banking with a profit-sharing system as the legal basis for Islamic banks in Indonesia which also marked the start of the era of dual banking services (the era of the dual banking service system). As the only Islamic bank operating at that time, PT. BMI faced several challenges mainly related to the lack of market-based tools and alternative liquidity management. In addition, the existence of this bank did not receive attention from the banking community (Central Bank) especially related to the provision of banking services both in the context of open market operations, discount windows and in the context of credit from the Central Bank by the principles of the Islamic law. It is understandable why Islamic banking did not show significant progress between 1992 and 1998.<sup>4</sup>

Islamic banks play an essential role as facilitators in all economic activities in the halal industry ecosystem. The Islamic banking industry in Indonesia itself has increased and significantly developed in the past three decades. Product innovation, service improvement, and network development show a positive trend from year to year. The merger process is a milestone that will open up many new opportunities in supporting the national economy.<sup>5</sup> Each Islamic bank has its background and history, thus strengthening BSI's position in the future.<sup>6</sup>

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<sup>4</sup> Muhammad Afdi dan Mohamad Nasir, "Strengthening Sharia Banking through Merger or Consolidation," *Munich Personal RePEc Archive*, no. 97964, 2020.

<sup>5</sup> "Bank Syariah Indonesia, Sejarah Perusahaan," <https://www.bankbsi.co.id/company-information/tentang-kami>.

<sup>6</sup> Milestone of Bank Syariah Indonesia, <https://ir.bankbsi.co.id/milestones.html>

PT BRI Syariah Tbk (BRIS). PT BRI Syariah Tbk, often abbreviated as BRIS, was initially formed from BRI's acquisition of Bank Jasa Arta on December 19, 2007. After that, BRI Syariah began operating on November 17, 2008, based on Islamic sharia principles. BRI Syariah focuses on targeting various segments of society and continues to grow in offering various sharia products to its customers. In 2018, BRI Syariah began to carry out an initial public offering in the Indonesia Stock Exchange and listed itself as a subsidiary of BUMN in the sharia sector which was the first to carry out an initial public offering.

PT Bank Negara Indonesia Syariah (BNIS) and Bank Negara Indonesia Syariah (BNIS) was established on April 29, 2000 with the opening of 5 main branch offices in Yogyakarta, Malang, Pekalongan, Jepara, and Banjarmasin. The establishment of Bank Negara Indonesia was sparked after seeing the condition of Islamic banks during the monetary crisis in 1998 that they were still able to stand without experiencing significant changes. In banking operations, BNI Syariah continues to pay attention to sharia aspects directly supervised by the Sharia Supervisory Board and has gone through tests to comply with sharia rules.

PT Bank Mandiri Syariah (BMS), initially, Bank Mandiri was a bank established due to the merger of four banks, namely Bank Dagang Negara, Bank Bumi Daya, Bank Exim, and Bapindo which began to be shaken by the monetary crisis in 1998. After that, a consolidation team was formed to develop Islamic banking, and on November 1, 1999, Bank Syariah Mandiri was formed. Until now, Bank Mandiri Syariah can combine business ideals with spiritual values as the operational basis. This makes Bank Syariah Mandiri continue to grow today and become part of BSI.

The plan to merge the three central Islamic banks has been carried out since March 2020. The establishment process must go through quite

strict stages including the licensing process from the Financial Service Authority. Then, ratifying the new name, namely Bank Syariah Indonesia, the preparation of a new logo, and others were carried out by the Ministry of Law and Human Rights. Then, February 1, 2021 marked the historical merger of Bank Syariah Mandiri, BNI Syariah, and BRI Syariah into one entity, namely Bank Syariah Indonesia (BSI). This merger will unite the advantages of the three Islamic banks to provide a complete service, wider reach, and to have a better capital capacity. Supported by the synergies with the parent companies (Mandiri, BNI, BRI) and the government's commitment through the Ministry of SOEs, Bank Syariah Indonesia is encouraged to compete globally. The existence of Bank Syariah Indonesia is also a reflection of the face of Islamic banking in Indonesia which is modern and universal and provides goodness for all nature.<sup>7</sup>

The growth of each Islamic bank is strongly influenced by the development of its ability to collect funds from the public both on a small and large scale with an appropriate deposit period. As a financial institution, money is the most important thing because without enough money the bank cannot do anything. Even the function of the bank as an intermediary institution cannot work correctly. In interest-based banking, money has to be traded to make huge profits, and it does not matter whether the money is used for productive activities or not. Meanwhile, money is not a commodity but only a vehicle for economic growth in terms of sharia. Islamic banks can be interpreted as intermediary institutions and financial service providers that work based on principles and regulations that uphold Islamic values, especially being free from interest (*riba*), from unproductive,

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<sup>7</sup> Tufy Supriyanti dan Siti Fatimah, "Pengaruh Aksesibilitas Dan Persepsi Kualitas Pelayanan Terhadap Minat Menabung Di Bank Syariah: Studi Pada Anggota Komunitas Difabel Blora Mustika," *Jurnal MD* 4, no. 2 (2018): 231-249.

speculative activities such as gambling (may), and from things that are unclear and doubtful (gharar), reinforce the principle of justice, and only finance legitimate commercial activities.<sup>8</sup>

However, the merger of Islamic banks also raises questions especially related to the benefits of higher added value. This question arises because it relates to the results of many studies on bank mergers in several countries. A study identified four essential points in nine bank mergers operating in the United States, namely: (1) In general, mergers create added value for the banking industry; (2) The bankruptcy of several banks emerged as a result of the merger due to the sharp decline in profits during the consolidation process; (3) The behavior of bank management about the merger will result in unnecessary cost increases such as salaries and pre-merger promotions for post-merger repairs that are currently under development; (4) Revenue synergies are realized even in the absence of economic efficiency.<sup>9</sup>

In addition, bank mergers especially those with overlapping branches will create problems.<sup>10</sup> In addition, there are problems faced by small borrowers which are often overlooked in the merger process, even if the merger leads to an efficient form of setting bank interest rates along with low-interest rates. A study by Harada and Ito (2008) on bank mergers in Japan shows that weak bank consolidation will only lead to bank weakness, and for some weakly merged banks the distance to bankruptcy looks

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<sup>8</sup> Haq dan Kalamika, “Kesejahteraan Nasabah perbankan Syariah di Daerah Istimewa Yogyakarta (Studi Preferensi Nilai Islam, Kalkulasi Sarana, dan Tujuan) \* Muhammad Izzul Haq dan Arin Mamlakah Kalamika.”

<sup>9</sup> Charles W. Calomiris dan Jason Karceski, *Is the Bank Merger Wave of the 1990s Efficient? Lessons from Nine Case Studies, Mergers and Productivity*, 2000, [https://www0.gsb.columbia.edu/faculty/ccalomiris/papers/Is the Bank Merger Wave of 1990s Efficient.pdf](https://www0.gsb.columbia.edu/faculty/ccalomiris/papers/Is%20the%20Bank%20Merger%20Wave%20of%20the%201990s%20Efficient.pdf).

<sup>10</sup> Jith Jayaratne dan P Strahan, “The benefits of branching deregulation,” *Economic Policy Review*, no. June (1997): 13–29, [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1016141](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1016141).

increasingly clear.<sup>11</sup>

The desire to merge state-owned Islamic banks into one also hopes to have a large, solid, and efficient Islamic bank and to face the ASEAN Sharia Economic Community (MEA) integration in the financial sector in 2020. Therefore, Indonesian Islamic banks can compete with large-scale neighboring Islamic banks such as Maybank Syariah and CIMB Syariah. The establishment of a large Islamic bank is urgently needed. The step that is considered the fastest to be implemented is to do a merger of existing state-owned Islamic banks. Small Islamic banks will face difficulties in competing especially in facing the integration of the ASEAN Economic Community in the financial sector in 2020.<sup>12</sup>

National banks still will face several challenges: both short-term and structural ones. In the short term, the uncertainty over the end of the Covid-19 pandemic still overshadows the process of economic recovery which could affect banking performance. In addition, several structural banking challenges still have to be faced related to the small scale of business and competitiveness, the rapid development of the digital economy and finance accompanied by changes in people's economic behavior, the need for funding for the national development in the medium term which is quite large, and financial markets that are still underdeveloped. Sharia banking is not yet optimal in supporting sharia economic growth, and financial access and education still need to be improved.

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<sup>11</sup> Kimie Harada dan Takatoshi Ito, "Did Mergers Help Japanese Mega-Banks Avoid Failure? Analysis of The Distance to Default of Banks" 日本乳癌検診学会, no. May (2008).

<sup>12</sup> Rahmat Efendi dan Mikhriani, "Analisis kondisi bisnis bprs dalam mengangkat pasar industri jasa perbankan," *Membangun Profesionalisme Keilmuan* (2015): 75–95.



The author will discuss many issues related to the merger of Islamic BUMN banks in Indonesia using the SWOT approach. The SWOT analysis is a planning method used to measure the level of strengths (Strength), weaknesses (Weakness), opportunities (Opportunity), and threats (Threat) of a business planning strategy. This is to evaluate and shape the business, products, management, and business competitors. The analysis is determined by the aim of a business or by identifying objects related to research. Strengths and weaknesses are categorized by internal factors, while opportunities and threats are identified as external factors.<sup>13</sup> The SWOT stands for the company's internal strengths and weaknesses as well as the opportunities and threats in the company's environment.<sup>14</sup> The SWOT analysis is a systematic method for identifying the most relevant factors and strategies for a business project. This analysis assumes that an effective strategy will increase strengths and opportunities while minimizing vulnerabilities and threats. Logically, this analysis can help in the decision-making process. The decision-making process is related to the company's vision, mission, and goals.

The SWOT analysis can be applied by analyzing and selecting various things that can affect the four factors. Its applications to the company are how the strengths can gain advantages for the company from the opportunities owned by it and how to overcome/minimize the weaknesses that prevent the advantages from the opportunities that arise. There are the company's strengths (strengths) that can overcome/deal with existing threats. Finally, its application is also how to overcome/minimize weaknesses (Weakness) that can make threats (Threat) into a new

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<sup>13</sup> F. Rangkuti, *SWOT-Balanced Scorecard* (Main Library Gramedia, 2014).

<sup>14</sup> J Helms, M.M. and Nixon, "Exploring SWOT Analysis-Where Are we Now? Journal of Strategy and Management," no. 3 (2010): 215-251, <https://doi.org/10.1108/17554251011064837>.

opportunity that can increase the company's income, or with these new opportunities, the company can compete in the business market, thereby expanding the company's market share.

The merger of Bank Syariah Indonesia is essential for developing Indonesian Islamic banking because with a larger Islamic bank it is hoped that it will be more efficient and can finance many Islamic industries to develop. Islamic banking has a close relationship with the real sector. Islamic financial transactions do not occur unless they have underlying assets. Therefore, the strengthening of Islamic banking is expected to help move the real sector, especially halal products. With an increasingly strong market capitalization, BSI is targeted to enter the top 10 largest Islamic banks in the world within five years of the merger. Through an enormous capital, BSI will be more flexible in expanding its business and expanding the reach of Islamic financial services starting from the MSME, retails, and corporate segments on a large scale. The contribution of research to science is to provide scientific evidence regarding differences in strengths, weaknesses, opportunities, and threats in Indonesia before and after the merger and acquisition of the State-owned Islamic banks. Previous research on mergers and acquisitions in Indonesia has not focused on mergers and acquisitions of Islamic banks. Thus, the SWOT analysis can be an effective tool to analyze the factors that affect a company. Based on the above background, the author tries to find out by conducting a study entitled "The SWOT Analysis of the Merger of Bank Syariah Indonesia."

## **RESEARCH METHOD**

This approach analyzes the narratives and arguments of the parties to understand the merger decision-making. The writing of this article uses the qualitative approach by utilizing the descriptive analysis method. This research uses a literature study where the data come from literature related

to the title under study.<sup>15</sup> In this study, the authors collected the data from the existing research and summary reports on mergers carried out by 3 Islamic banks, namely Bank BRI Syariah, Bank Mandiri Syariah, and Bank BNI Syariah. To obtain the data and information needed, the data collection techniques in the research are carried out using library research, field research, and documentation studies. In this research method, the data taken are in the form of regulation regarding the merger of Islamic State-owned banks, books, literature, previous research, and other related books. The selection of this data source is done by selecting books and papers from Islamic sharia banking experts regarding discussions that are by the topic. In this study, the authors conducted interviews with the related parties who carried out the merger. The author also uses secondary data in the form of reports from the merger of Bank Syariah Indonesia and reports from each bank that did the merger. Meanwhile, the data collection technique used is a literature study that utilizes books, journal articles, newspapers, online news, and websites of authoritative institutions.

The approach in this research is a means to obtain information through several different points of view to support the quality of the research to obtain objective and comprehensive results. In this study, the author uses the qualitative research method which is a research method that analyzes and obtains descriptive data results whose results are written and spoken words. This research method does not use the statistical method (numbers) to produce data but uses the word method (written words).<sup>16</sup> In this research method, the data taken to be used are in the form of regulation regarding the merger of Islamic State-owned banks, books,

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<sup>15</sup> Danandjaja J, *Metode Penelitian Kepustakaan* (Antropologi Indonesia, 2014).

<sup>16</sup> I Nurdin dan Hartati S, *Metodologi penelitian sosial* (Media Sahabat Cendekia, 2019).

literature, previous research, journals, the Internet, and other books related to this research method and direct interviews with competent parties.

The data analysis technique is the process of collecting data systematically to facilitate researchers in obtaining conclusions. Data analysis is the process of systematically searching for and compiling data obtained from interviews, field notes, and other materials so that they can be easily understood and the findings can be informed to others. The qualitative data analysis is inductive, namely an analysis based on the data obtained. According to Miles & Huberman, the analysis consists of three co-occurring activities: data reduction, data presentation, and conclusion drawing/verification.<sup>17</sup>

### RESULTS AND DISCUSSION

From the results of the data analysis regarding the merger conducted by Bank BRI Syariah, BNI Syariah, and Bank Syariah Mandiri to become Bank Syariah Indonesia and based on the data analysis that has been done, the strengths, weaknesses, opportunities, and threats of the merger can be seen as in the following explanation.



Figure 1. SWOT analysis

<sup>17</sup> Michael Huberman dan Matthew B. Miles, *The Qualitative Researcher's Companion* (sage, 2002).

## Strength

Bank Syariah Indonesia has several strengths to compete with conventional banks in Indonesia. The following are the strengths of Bank Syariah Indonesia; During the Covid-19 pandemic, Bank Syariah Indonesia had a core capital of IDR 22.6 trillion, assets of IDR 240 trillion, and about 15 million customers or about 7 percent of the adult population. The merger of the three state Islamic banks does not increase the market share; it is still 6.3 percent. However, it gives BSI more robust capital to carry out various activities and opportunities to enlarge the economic scale. With a significant economic scale, it can also create a low cost of funds which is a problem for Islamic banks.<sup>18</sup>

The sources of funds from the merger of Bank BRI Syariah, Bank BNI Syariah, and Bank Syariah Mandiri to become Bank Syariah Indonesia experienced a very rapid increase. BSI has third-party funds of Rp. 209.90 trillion, financing of Rp. 156.52 trillion, equity of Rp. 21.74 trillion, a core capital of more than Rp. 20.4 trillion, and as of December 2020 it earned a net profit of Rp. 2.19 trillion.<sup>19</sup> The allocation of hajj funds invested by BPKH is capital for Bank Syariah Indonesia. Bank Syariah Indonesia has carried out the functions of BPS-BPIH that BPKH has determined. BSI was appointed by BPS as the recipient, liquidity, benefit value manager, placement, investment partner, and BPKH operations.<sup>20</sup>

Bank Syariah Indonesia conducts business activities with more than 20 thousand employees. The branches have 1,300 offices with 1,700 ATM

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<sup>18</sup> Angga Syahputra, "Kondisi Ekonomi Syariah Di Indonesia Pasca Mergernya Bank Syariah Bumh," *Jurnal Ekonomi Syariah, Akuntansi dan Perbankan (JESKaPe)* 5, no. 1 (2021): 90–106.

<sup>19</sup> "Merger Bank Syariah Dorong Pertumbuhan Perbankan Syariah," <https://www.kemenkeu.go.id/publikasi/berita/merger-bank-syariah-dorong-pertumbuhan-perbankan-syariah/>.

<sup>20</sup> "BSI Kelola Rp 20,34 Triliun Dana Haji," <https://bpkh.go.id/bsi-kelola-rp-2034-triliun-dana-haji/>.

networks and existing units previously owned by BRI Syariah, Bank Syariah Mandiri, and BNI Syariah.<sup>21</sup> The Sharia Business Units can take advantage of all parent bank facilities in their operations to reduce operational costs, leading to potential profit increases. The Conventional Commercial Bank Sharia Business Units must separate themselves from their parent companies as per the mandate of Law Number 21 of 2008 concerning Islamic Banking.

The Financial Performance (ROA, BOPO, NIM) of several Sharia Business Units is better than that of Sharia Business Banks based on the Sharia Banking Statistics (SPS) data released by the Financial Service Authority (OJK) as of 2020. Until the third quarter of 2021, PT Bank Syariah Indonesia Tbk. became a bank with the highest achievement which was Rp. 2.26 trillion. That number rose 37.01 percent on an annual basis (Year-on-Year/YoY).<sup>22</sup> The three merged entity banks also have their advantages such as BRI Syariah which has the advantage of MSMEs: being able to take advantage of KUR Syariah and KPR from BNI Syariah to pawn gold which is the mainstay of Bank Syariah Mandiri. This merger should make the products offered comprehensive, and the hope is to be more creative in making the products original.

Bank Syariah Indonesia already has BSI Mobile that can be used for payments, transfers, and bookings in the banking financial transaction ecosystem. In addition to providing digital financial services, BSI Mobile also has other features to provide more added value to customers. From the spiritual side, BSI mobile can show the prayer times, the qibla direction,

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<sup>21</sup> “Ekonomi Syariah Global Diprediksi Capai US\$3,2 Triliun pada 2024,” [https://m.mediaindonesia.com/infografis/detail\\_infografis/393526-ekonomi-syariah-global-diprediksi-capai-us32-triliun-pada-2024](https://m.mediaindonesia.com/infografis/detail_infografis/393526-ekonomi-syariah-global-diprediksi-capai-us32-triliun-pada-2024).

<sup>22</sup> “Kinerja Unit Usaha Syariah Masih Kinclong di Tengah Pandemi Covid-19,” <https://insight.kontan.co.id/news/kinerja-unit-usaha-syariah-masih-kinclong-di-tengah-pandemi-covid-19>.

and information related to holy verses that must be read and present in the ZISWAF ecosystem to pay zakat and waqf.

Support and synergy from government regulation. The regulation in various operational activities of Bank Syariah Indonesia is clear to come from BI, OJK, and government institutions. Based on the Merger Permit issued by OJK with Number SR3/PB.1/2021, a bank resulting from a merger will become the most significant national Islamic bank and be ranked the seventh-largest of the national banks. Bank Syariah Indonesia is expected to become one of the top ten global market capitalizations in the next five years. The merger of the three Islamic banks cannot be separated from a series of primary strategies for strengthening the Islamic financial market as set out in the blueprint for the sharia economy in Indonesia.<sup>23</sup>

Meanwhile, the achievement target is to increase sharia business assets and sharia financing. The indicators of increasing sharia business assets can be seen from the growth (percent per year) of sharia business assets and the share (percent) of sharia financing to total financing. So, the merger of Islamic banks is considered successful if there is a significant growth in financing in the MSME sector and the halal industry. It has an impact on the growth of sharia business assets nationally.

## **Weaknesses**

Bank Syariah Indonesia, which is the result of the merger of 3 Islamic banks, namely Bank BRI Syariah, Bank BNI Syariah, and Bank Syariah Mandiri, also has several weaknesses to compete with conventional banks in Indonesia. Following are the weaknesses of Bank Syariah Indonesia; The business models and products are not competitive when compared to those

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<sup>23</sup> “Fungsi Utama Pengembangan Ekonomi Cetak Biru,” <https://www.bi.go.id/id/fungsi-utama/moneter/pengembangan-ekonomi/cetak-biru/Default.aspx>.

of conventional banks. Bank Syariah Indonesia does not yet have a significant business model or product differentiation. As a bank with substantial capital, it must take significant steps to solve product differentiation that varies and does not abandon sharia principles. The lack of variation in Islamic financing compared to conventional bank credit products is also an internal factor causing the slow growth of Islamic banks. With limited financing products, Islamic banks are less optimal in taking the market potential they should own, namely, markets that want to apply for funding from usury-free banks or idealistic markets.<sup>24</sup>

The quantity and quality of human resources are less optimal because 90 percent of human resources working in the Islamic financial sector do not come from Islamic economics and finance study programs. This is because these graduates are not equipped with the technical competencies required by the industry. Meanwhile, from the business world's perspective, it is easier and cheaper to take advantage of what is available and then give a little knowledge about Islamic economics. Not a few human resources are taken even from conventional financial institutions. The quality of human resources in risk management and financial analysis is still low than that of conventional banks.<sup>25</sup>

There is a gap in the HR capacity that needs to be addressed to be managed safely later. The management at BRIS and BNIS which generally manages the bank assets of IDR 50 trillion now has to manage the bank assets of above IDR 200 trillion. The management at BSM which generally

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<sup>24</sup> B Mutafarida dan C Anam, "Prinsip Ekonomi Syariah, Implementasi, Hambatan Dan Solusinya Dalam Realitas Politik Indonesia Terkini," *Jurnal Ekonomi dan Studi* ... 01, no. 01 (2020): 1, <http://ejournal.iain-tulungagung.ac.id/index.php/jesk/article/view/3349>.

<sup>25</sup> "Ekonomi Syariah Melesat, Tapi Kualitas SDM Belum Bisa Mengimbangi Artikel ini telah tayang di Bisnis.com dengan judul "Ekonomi Syariah Melesat, Tapi Kualitas SDM Belum Bisa Mengimbangi ", Klik selengkapnya di sini: <https://ekonomi.bisnis.com/read/20201229>,".



manages IDR 100 trillion in assets now has to manage the bank assets of above IDR 200 trillion. Likewise, Group Heads, Regional Heads, Area Heads, Branch Managers, and other positions will experience an increase in the business volume. If the average is made, the volume in managing the company carried out by the ex-BRIS and BRIS HRs will increase fourfold, while the BSM Forex will increase twofold. The birth of BSI as a sharia bank with assets of Rp 240 trillion will automatically increase the volume in managing the company. This needs to be balanced with the capacity of qualified human resources. The collaboration between reliable internal HRs and experienced external HRs for sharing knowledge is expected to fill the gap in the HR capacity in managing the company because they understand the industry and consumers and have sufficient experience. There are still few experts who have sufficient experience. Experts in the Islamic banking sector are still relatively limited. This problem is a crucial issue that must be resolved ahead of the enactment of the ASEAN Economic Community (AEC) in the banking sector in 2020.

The problem of integration arises both from the corporate culture of the previous different entities and the integration of human resources by considering the efficiency of the number of workers and quality workers. This will be prone to internal conflicts. Bringing together the employees of the three Islamic banks who have worked together for a long time and have different organizational cultural backgrounds is undoubtedly a challenge for BSI management. They have not been able to allocate financing optimally because of limited capital constraints and the existence of the CAR (Capital Adequacy Ratio) rules. The high cost of capital is generally found in the corporate segmentation which is sensitive to the yields offered. In this case, Islamic banks cannot compete with conventional banks. They can increase the deposit interest to attract company funds to transfer part of their

savings from Islamic banks to conventional banks. In this case, Islamic banks must also understand that some corporations are pretty rational in paying attention to more profitable returns. The profit-sharing system inherent in Islamic banks is different from the interest system attached to conventional banks. Conventional banks can raise interest rates to attract interest from customers to deposit their funds in them. Inadequate Ecosystem and Information Technology in using digital technology is not as sophisticated as those in conventional banks. The creation of a conducive ecosystem for the adoption and implementation of the Industry 4.0 technology for industries and MSMEs (Big Data Analytics, IoT, Blockchain).

### **Opportunity.**

In addition to strengths and weaknesses, Bank Syariah Indonesia also has several opportunities that can be achieved to compete with conventional banks in the banking market Indonesia. This merger can also allow Bank Syariah Indonesia to penetrate previously inaccessible markets because they have a more significant legal lending limit such as entering the wholesale sector, large corporations, or government projects. When the core capital can increase to Rp 30 trillion, BSI will become a BUKU 4 Islamic bank. Countries in the Middle East can be a potential target market for business expansion abroad.<sup>26</sup> In the last decade, Islamic finance has become one of the fastest-growing sectors in the global financial industry, surpassing conventional financial markets. The Global Islamic Economic Report (2020) estimates the value of the Islamic financial assets to increase by 13.9 percent in 2019 from \$2.52 trillion to \$2.88 trillion. Furthermore, in 2021 in line with the increasing global trends, Islamic finance in Indonesia

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<sup>26</sup> Alfany Arga Alil Fiqri et al., "Peluang Dan Tantangan Merger Bank Syariah Milik Negara Di Indonesia Pada Masa Pandemi Covid-19," *El Dinar* 9, no. 1 (2021): 1–18.

will grow positively amid the pandemic. In May 2021, the Islamic banking assets grew 15.6 percent (year-on-year) or reached IDR 598.2 trillion from the banking side.<sup>27</sup>

The potential of Islamic finance can also be seen from the Islamic capital market with the number of investors increasing 9.3 percent during the first three months of 2021. As of July 2021, Indonesia's outstanding state Sukuk was recorded at 1,076.01 trillion rupiahs or grew by 10.75 percent (year-to-date). Moreover, it is expected to continue to grow in the future. In the international market, Indonesia is among the main contributors to the global Sukuk issuance. In addition, Sukuk (state) proved to be one of the reliable sources of financing in 2013-2021; there were 3,447 projects financed through Sukuk. Indonesia has a huge opportunity to optimize the Islamic financial market by developing more financing variants through Sukuk or blended finance such as Cash Waqf-Linked Sukuk (CWLS) and Green Sukuk.

In other Islamic financial sectors along with the development of the financial technology (fintech) ecosystem, the Islamic fintech assets in Indonesia grew to reach 134 billion rupiahs in June 2021, representing 3 percent of Indonesia's total fintech assets. Although the contribution to the overall fintech assets is relatively tiny, Islamic fintech assets have increased more than 50 times in the last 2.5 years. The Global Islamic Fintech Report (2021) states that Indonesia is one of the largest countries in terms of the market size of sharia fintech transactions which reached USD 2.9 billion in 2020.<sup>28</sup> The strategic direction of developing Islamic finance in Indonesia

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<sup>27</sup> "Peran Keuangan Syariah dalam Pemulihan Ekonomi Nasional Indonesia," <https://www.kemenkeu.go.id/publikasi/siaran-pers/siaran-pers-peran-keuangan-syariah-dalam-pemulihan-ekonomi-nasional-indonesia/>.

<sup>28</sup> "Global Islamic Fintech Report 2021," <https://salaamgateway.com/specialcoverage/islamic-fintech-2021>

refers to the Master Plan for the Indonesian Islamic Economy (MEKSI). In 2020 the master plan was revealed to be an Implementation Plan and Work Plan for 2020-2024 based on the solid coordination between the stakeholders of the National Sharia Economic and Finance Committee (KNEKS) from the government, academia, industry players, NGOs, and the community. The plan consists of 30 strategic programs with a focus on developing and strengthening: (i) halal industry, (ii) sharia finance, (iii) sharia social finance, and (iv) sharia business and entrepreneurship.

Indonesia has a Muslim population of around 80 percent of more than 250 million people. However, the market share of the Islamic banks is only in the range of 10 percent. The opportunity to expand the market is also wide open. Indonesia's large Muslim population is the strength and target for the penetration of the sharia economy which is currently around 6.4%. That percentage is lower than other Muslim-majority countries in Asia. The high desire of the younger generation of Muslims is to carry out the fifth pillar of Islam from an early age through the Indonesian Young Hajj program. Based on the data of the Ministry of Religious Affairs, there has been an increasing trend of hajj registrations in the age range of 0-30 years. The portion is about 20 percent of the total Hajj registrants in Indonesia. This is one of the BSI's spirits to invite and educate the public in planning the pilgrimage through the Indonesian Young Hajj program.

Development of the MSMEs and the Halal Industry. Micro, Small, and Medium Enterprises (MSMEs) are one of the halal industries that need to be developed because they are the backbone of the economy in Indonesia. The growth of the halal industry must also be supported by the role of Islamic finance including contributing to the distribution of funds and fostering a community movement that is aware of halal products to customers and the surrounding community. Thus, the halal industry will

become a perfect halal ecosystem (from upstream to downstream). The high cost of the halal product certification will be an additional problem for MSME actors who still have minimal access to sharia financing. The potential of the halal industry in Indonesia is valued at approximately IDR 4,375 trillion. Of the total value, the halal food and beverage industry absorbs a portion of IDR 2,088 trillion followed by Islamic financial assets worth IDR 1,438 trillion.

The vast potential of the digital economy indicates that digital channels will be increasingly crucial and will become one of the sources of banking growth. Indonesia has a relatively sizeable digital economy potential. The development of the digital economy in Indonesia is inseparable from the continued growth in the number of internet users in Indonesia. Indonesia has a large population with 171.17 million internet users (64.8%) and 355 million cellular users (133%). Google, Temasek, Bain & Company estimates that in 2025 the size of the internet economy in Indonesia will reach \$124 billion or almost 5% of Indonesia's Gross Domestic Product with the e-commerce sector being the most significant contributor to the internet economy. As measured by the Global Merchandise Value (GMV), Indonesia's digital economy potential will proliferate and is predicted to produce the highest GMV in the ASEAN region.

The large Islamic banks resulting from the merger are an urgent part of the halal value chain ecosystem. This means that the inclusion of Islamic banks in the halal value chain ecosystem is a form of strategic support for the halal industry. For example, for the halal food-beverage industry cluster, Islamic banks are required to increase special financing for the agricultural sector, MSME food-beverage processing, and the food-beverage packaging sector. Likewise, for Muslim-friendly tourism clusters, Islamic banks are

required to increase financing for sharia hotel businesses, halal culinary (restaurants), transportation businesses, development of halal touristic objects, MSMEs providing food-beverage handicrafts, and others. Thus, the presence of Indonesian Islamic banks can meet the expectations of the prosperous community, the stakeholders of the Islamic economy, and business actors in the halal industry especially 3 million halal MSME actors in the country. Moreover, Indonesia's aspiration to become the world's Islamic economic and financial center will soon come true.

### **Threats.**

Due to social restriction policies, the decline in economic activity has put pressure on the debtors' performance and has further impacted increasing loans at risk. Responsively OJK has issued a stimulus policy through POJK Number 11/POJK.03/2020, and the industry responded by restructuring credit to debtors affected by the Covid-19 pandemic. This policy can at least reduce the financial failures experienced by debtors and maintain the banking system's stability. The common understanding of the Islamic banking system in terms of literacy and inclusion index is still low. In the Financial Services Authority (OJK) records, the level of Islamic financial inclusion is low only at 9.1 percent which is far behind conventional financial inclusion which reached 76.72 percent. Therefore, there is a need to accelerate economic and financial inclusion, especially in MSMEs and the agricultural sector through clustering, entrepreneurship, access to finance, and digitization.

High potential credit risk and liquidity risk. The economic recession is still occurring, resulting in a significant decline in the financial condition of business actors and the public. The longer duration of the Covid-19 pandemic will cause a spike in the termination of business activities, resulting in the termination of the employees' employment. The financial

condition of business actors and the public may drop more drastically due to the reduced income. Business actors and the public will find it difficult to pay credit instalments and withdraw their funds from the bank to finance their daily needs. In addition, the demand for credit will decline in line with the decline in production, distribution of goods and services, and consumption.

Higher potential market risk. Financial market conditions will experience high volatility as a result of sentiment from market participants. Financial market volatility will increase along with the length of the completion of the Covid-19 pandemic. The financial market has the potential to experience a capital flight phenomenon where anxious investors will shift their investment in the financial market to safe-haven assets. This will impact movements in the rupiah exchange rate, yields on securities in the bond market, and corrections in the stock market. Liquidity problems and high non-performing loan (NPL). To suppress NPL, banks are required to restructure. The restructuring aims to relieve creditors in adjustments to principal installments, lower interest rates, and time extensions. In addition to easing creditors, credit restructuring also maintains a bank liquidity given the economic situation amid the Covid-19 pandemic, so that customers can continue to pay off their obligations to Islamic banks.

The financial technology owned by conventional banks becomes a severe threat if the information system of Bank Syariah Indonesia is not developed correctly. Currently, Islamic banks must serve customers through digitizing bank services, both digitization services in raising funds and financing. The acceleration of the national digital economy and finance became a game changer during the pandemic and digitalization in other various fields. Changes in people's expectations and economic behavior for

banking services. Large-scale social restrictions have also changed people's behavior from physical interactions to virtual ones and settlement payments. This condition demands a structural transformation of the banking business model including the acceleration of digital services.

## CONCLUSION

Based on the results of the research and analysis that have been described, it is concluded that Bank Syariah Indonesia has a significant capital strength; has a vital source of funds, obtains hajj funds from BPKH; regulatory strength and support from the government, is able to utilize the parent bank facilities to reduce operational costs, has 20 thousand employees, 1300 branches, 1700 ATM networks; good financial performance, has its advantages and already has the M-Banking BSI Mobile. The weaknesses of Bank Syariah Indonesia are less competitive business models and products, less optimal quality and quantity of human resources, gaps in human resource capacity, integration problems and corporate culture, ecosystems, and information technology that are still lagging behind conventional banks. The opportunities for Bank Syariah Indonesia are to penetrate markets that were previously inaccessible because they have a more significant legal limit lending, the increase in the global Islamic finance industry, the increasing number of investors in the Islamic capital market, the increase in the global Sukuk financing, the increase in the financial technology ecosystem, and direction in the strategic development of the Islamic finance in Indonesia, the increasing efforts of the government and academia in growing digital and financial inclusion, the sizeable Muslim population in Indonesia and the high desire of the younger generation of Muslims to carry out the Hajj program. Threats that arise are the low literacy and inclusion of the Islamic banking system, increased



financing risk during the COVID-19 pandemic, liquidity problems and non-performing financing ratios, and competitors' better financial technology. It was suggested that mergers exploit synergies, reduce overlaps in operations, right-sizing, and redeploy surplus staff either by retraining, restructuring labor, or voluntary retirement. The merger likewise meets the need for development, diminishing the degree of rivalry and making an enormous substance between State-owned Islamic banking enterprises.

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