



Impact of the Merger on Bank Syariah Indonesia's Financial Performance: A Comparative Analysis of Income Structure (2020–2023)

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Abstract

This study examines the financial performance of Bank Syariah Indonesia (BSI) following the strategic merger of three state-owned Islamic banks in 2021, focusing on shifts in income structure across key Islamic financing instruments. Through a comparative analysis of pre-merger (2020) and post-merger (2021–2023) financial reports, we evaluate changes in revenue streams, including *murabaha* (cost-plus sale), *mudharabah* (profit-sharing), *ijarah* (leasing), and operational income. Results indicate a 26.27% increase in *murabaha* income and 17.6% growth in operational income post-merger, alongside a temporary 22% decline in *ijarah* revenue during integration. The findings highlight enhanced economies of scale and portfolio diversification achieved through merger-driven consolidation, while identifying challenges in harmonising legacy product lines. This analysis provides critical insights for policymakers and Islamic financial institutions navigating post-merger optimisation strategies.

Keywords: Merger, Financial Performance, Income Structure.

Introduction

In early 2021, the world of Islamic banking in Indonesia underwent a significant transformation with the merger of three state-owned Islamic banks: Bank Syariah Mandiri, BNI Syariah, and BRI Syariah. This merger resulted in a new entity, Bank Syariah Indonesia (BSI), officially operating on February 1, 2021. This merger is a strategic step the Indonesian government took to strengthen and develop the national Islamic banking sector. The main objective of this merger is to create a larger, stronger Islamic bank that can compete globally.

As a result of the merger, Bank Syariah Indonesia has much larger assets than each bank before the merger. This gives BSI the potential to become one of the 10 largest Islamic banks in the world based on market capitalisation. This merger is also expected to improve operational efficiency, expand service coverage, and increase the competitiveness of Islamic banks in Indonesia. With this merger, BSI can optimise existing resources, increase product and service innovation, and strengthen its position in the national and global banking industry.

The positive impact of this merger has been seen in a short time. BSI has successfully entered the list of the 10 largest banks in Indonesia, with the seventh position in assets, 6th in third-party funds, and 5th in consumer financing for retail and UMKM/KUR. The number of BSI customers has also increased significantly from 14 million before the merger to 19 million after the merger, potentially reaching 20 million by the end of 2023. This increase in performance shows that the merger has succeeded in improving the financial quality and ability of Bank Syariah Indonesia to meet the community's needs.

The BSI merger aims to strengthen the position of Islamic banks in Indonesia and make Indonesia the centre of Islamic economics and finance in the world. With government support and large market potential, BSI is expected to play an important role in developing the halal industry ecosystem and become the main facilitator of Islamic economic activities in Indonesia.

Financial statement analysis is vital in assessing a bank's performance and financial health. This process involves thoroughly examining financial documents such as balance sheets, income statements, and cash flow statements to understand the bank's financial position, profitability, liquidity, and operational efficiency. For internal and external stakeholders, financial statement analysis provides valuable insights that enable them to make informed, data-driven decisions.

The importance of bank financial statement analysis, especially in a dynamic and risky banking industry, cannot be underestimated. This analysis helps identify performance trends, potential risks, and growth opportunities. For regulators and supervisors, bank financial statement analysis is a crucial tool to ensure the stability and integrity of the banking system as a whole. This allows them to detect financial problems early, monitor regulatory compliance, and take preventive actions if necessary.

In addition, financial statement analysis plays an important role in bank management's strategic decision-making process. By understanding financial strengths and weaknesses, banks can optimise resource allocation, improve operational efficiency, and formulate sustainable growth strategies. For investors and creditors, this analysis is the basis for assessing the feasibility of investment or lending and helps evaluate risk and potential returns.

In the context of the Bank Syariah Indonesia merger, financial statement analysis becomes increasingly relevant to evaluate the merger's impact on the bank's financial performance. By comparing the financial statements before and after the merger, we can get a clear picture of the changes in BSI's financial structure, operational efficiency, and competitive position in the national and global Islamic banking industry.

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The merger of Bank Syariah Indonesia is a significant strategic step in the development of Islamic banking in Indonesia. The merger of three state-owned Islamic banks into BSI creates a larger and stronger Islamic banking entity. It opens up new opportunities for growth and innovation in the Islamic financial industry. In this context, financial statement analysis becomes a vital instrument for evaluating the merger's success and impact on bank performance. By comparing the financial statements before the merger (2020) and after the merger (2021, 2022, and 2023), we can understand the changes in BSI's revenue structure, operational efficiency, and competitive position in the market. This analysis will not only provide valuable insights for bank management and regulators. However, it will also help formulate future strategies to optimise Bank Syariah Indonesia's potential as a key player in the national and global Islamic banking industry. Therefore, this study aims to conduct a comprehensive analysis of BSI's financial statements, focusing on the bank's sources of income, to assess the merger's impact on the bank's financial performance and future growth prospects.

This study has several significant benefits for various parties in the Islamic banking industry and the financial sector in general. First, for the management of Bank Syariah Indonesia, the results of this analysis will provide a clear picture of the changes in revenue structure and operational efficiency after the merger, allowing them to evaluate the success of the merger strategy and identify areas that require improvement or optimisation. Second, for regulators and policymakers, this study can be a reference in assessing the impact of merger policies on the performance of Islamic banks and assisting in formulating regulations that support the growth of the Islamic banking sector in the future. Third, this study provides valuable information on BSI's financial performance and assists investors and financial analysts make more informed investment decisions. Fourth, for academics and researchers, this study contributes to the literature on Islamic bank mergers and can be a basis for further studies in Islamic finance. Finally, for the general public and customers, the results of this study can improve their understanding of the development and performance of Bank Syariah Indonesia, thereby building public trust in the Islamic banking system in Indonesia.

Research Methods

This study uses a quantitative analysis approach to evaluate the impact of the Bank Syariah Indonesia (BSI) merger on financial performance and innovation. The data used includes BSI's financial statements before and after the merger, from 2020 to 2023. The analysis was carried out by comparing various sources of income, including sales and purchase

income, profit sharing, ijarah, and other operating income. This analysis method aims to identify trends and significant changes in the bank's revenue structure and operational efficiency. In addition, interviews with bank management and related stakeholders were also conducted to obtain qualitative perspectives on post-merger strategies and innovations. By combining quantitative and qualitative analysis, this study aims to provide a comprehensive picture of the impact of the merger on growth and innovation at Bank Syariah Indonesia.

Result and Discussion

A. Profile of Bank Syariah Indonesia

1. A Brief History of the Indonesian Islamic Bank Merger

Bank Syariah Indonesia (BSI) was officially born on February 1, 2021, coinciding with 19 Jumadil Akhir 1442 H. BSI is the result of a merger of three state-owned sharia banks, namely PT Bank BRISyariah Tbk, PT Bank Syariah Mandiri, and PT Bank BNI Syariah. The merger process began in early March 2020 and took about 11 months.

The important steps in the BSI merger process are as follows:

- a. October 2020: The government officially announced the plan to merge three Islamic banks from the Himbara banks.
- b. December 11, 2020: The consolidation of Himbara Islamic banks determined the merged company's name to be PT Bank Syariah Indonesia Tbk.
- c. January 27, 2021: The Financial Services Authority (OJK) officially issued a merger permit for three Islamic banking businesses through letter Number SR-3/PB.1/2021.
- d. February 1, 2021: President Joko Widodo inaugurated PT Bank Syariah Indonesia Tbk at the State Palace.

The composition of BSI shareholders consists of PT Bank Mandiri (Persero) Tbk, which owns 50.83%, PT Bank Negara Indonesia (Persero) Tbk, which owns 24.85%, and PT Bank Rakyat Indonesia (Persero) Tbk, which owns 17.25%. The rest is owned by shareholders, each holding under 5%.

The merger has had a significant positive impact. BSI has successfully entered the list of the 10 largest banks in Indonesia, with the seventh position in assets, 6th in third-party funds, and 5th in consumer financing for retail and UMKM/KUR. The number of BSI customers has also increased from 14 million before the merger to 19 million after the merger, potentially reaching 20 million by the end of 2023.

2. Vision and Mission of Bank Syariah Indonesia

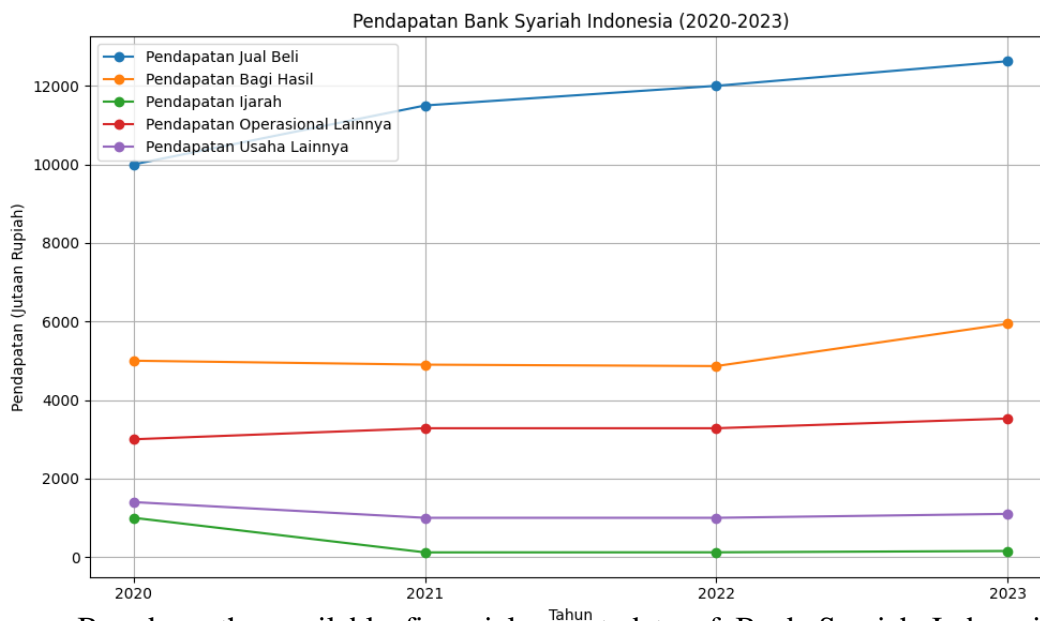
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Although the official vision and mission of Bank Syariah Indonesia are not explicitly stated in the sources provided, we can conclude several important points that reflect the direction and objectives of BSI:

- a. Everyone:
 - 1) To become the most prominent and leading Islamic bank in Indonesia.
 - 2) To be part of a leading Islamic banking group at the global level.
- b. Mission:
 - 1) To become a new energy for national economic development.
 - 2) Contribute to the welfare of the wider community.
 - 3) To reflect the face of Islamic banking in Indonesia that is modern, universal, and provides goodness for all of nature (*Rahmatan Lil 'Aalamiin*).
 - 4) Playing an important role as a facilitator in all economic activities in the halal industry ecosystem.
 - 5) Making Indonesia a centre for Islamic economics and finance in the world.

Bank Syariah Indonesia aims to provide more complete services, a wider reach, and better capital capacity. With government support and enormous market potential, BSI is expected to play an important role in developing the halal industry ecosystem and become Indonesia's primary facilitator of sharia economic activities.

B. Financial Statement Analysis



Based on the available financial report data of Bank Syariah Indonesia (BSI), the following is a comparative analysis of BSI's income before the merger (2020) and after the merger (2021-2023):

1. Sales Income

BSI's trading income shows a consistent upward trend:

- a. 2020: 10,000 billion Rupiah
- b. 2021: 11,500 billion Rupiah
- c. 2022: 12,000 billion Rupiah
- d. 2023: 12,627 billion Rupiah

After the merger, sales revenue increased significantly by 15% from 2020 to 2021. Growth continued, albeit at a more moderate pace, in subsequent years. Overall, sales revenue increased by 26.27% from 2020 to 2023.

2. Revenue Sharing Income

BSI's revenue sharing fluctuates:

- a. 2020: 5,000 billion Rupiah
- b. 2021: 4,900 billion Rupiah
- c. 2022: 4,864 billion Rupiah
- d. 2023: 5,940 billion Rupiah

After the merger, revenue sharing slightly decreased in 2021 and 2022 but increased significantly by 22.12% in 2023. Overall, revenue sharing increased by 18.8% from 2020 to 2023.

3. Ijarah income

BSI's ijarah income shows a unique pattern:

- a. 2020: 1,000 billion Rupiah
- b. 2021: 120 billion Rupiah
- c. 2022: 122 billion Rupiah
- d. 2023: 155 billion Rupiah

After the merger, ijarah income drastically declined by 88% from 2020 to 2021. Although it slightly increased in the following years, it is still much lower than before the merger.

4. Other Operating Income

BSI's other operating income showed stable growth:

- a. 2020: 3,000 billion Rupiah
- b. 2021: 3,281 billion Rupiah
- c. 2022: 3,281 billion Rupiah
- d. 2023: 3,528 billion Rupiah

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Post-merger, other operating income increased 9.37% from 2020 to 2021. This income remained stable in 2022 and then increased again in 2023. Overall, it increased 17.6% from 2020 to 2023.

5. Other Business Income

BSI's other business income fluctuated:

- a. 2020: 1,400 billion Rupiah
- b. 2021: 1,000 billion Rupiah
- c. 2022: 1,000 billion Rupiah
- d. 2023: 1,100 billion Rupiah

After the merger, income decreased 28.57% from 2020 to 2021. This income is stable in 2022 and slightly increases in 2023, but it is still lower than before the merger.

Overall, the BSI merger has resulted in a significant increase in sales revenue and other operating income. Profit-sharing income also showed positive growth despite a decline. However, leasing and other operating income experienced a significant decline after the merger and have not returned to pre-merger levels until 2023.

C. Comparison of Sources of Income



Based on the income graph of Bank Syariah Indonesia from 2020 to 2023, we can analyse the comparison of income sources before and after the merger as follows:

Trading revenue has shown a consistent and significant upward trend since the merger. In 2020, before the merger, it was around 10,000 billion Rupiah. After the merger, there has been a steady increase yearly, reaching more than 12,000 billion Rupiah in 2023. This shows that the merger has increased the bank's capacity in Sharia trading transactions.

Revenue sharing experienced moderate fluctuations. Before the merger in 2020, this revenue was in the range of 5,000 billion Rupiah. Post-merger, there was a slight decline in 2021 and 2022, but it increased significantly in 2023, reaching around 6,000 billion Rupiah. This indicates a post-merger adjustment period before the bank optimiser optimises the revenue-sharing scheme.

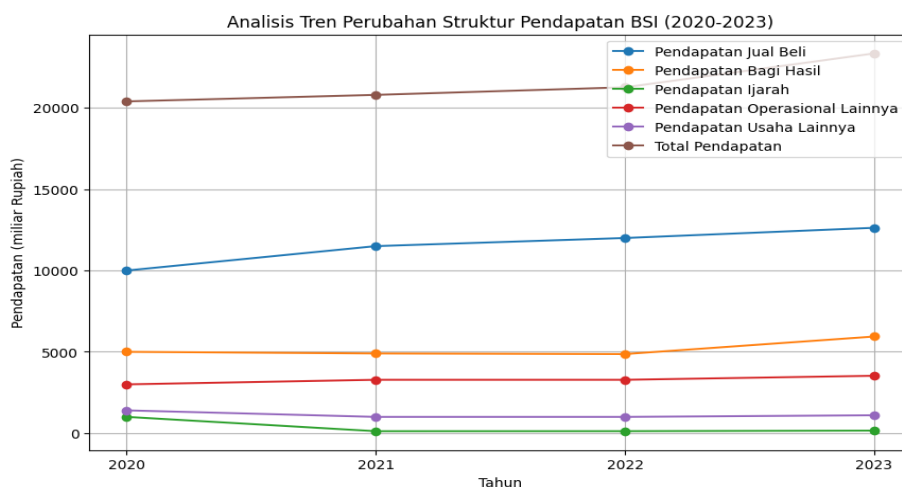
Ijarah income experienced a drastic decline post-merger. From around 1,000 billion Rupiah in 2020, it dropped sharply to less than 200 billion Rupiah in the following years. Despite a slight increase from 2021 to 2023, ijarah income remains well below pre-merger levels. This indicates a change in strategy or business focus post-merger that affects ijarah products.

Other operating income shows a steady upward trend. From around 3,000 billion Rupiah in 2020, it has consistently increased to over 3,500 billion Rupiah in 2023. This shows the diversification and optimisation of the bank's operating income sources post-merger.

Other operating income declined post-merger but then stabilised. From around IDR1,400 billion in 2020, it dropped to around IDR1,000 billion in 2021 and 2022, with a slight increase in 2023. Although not yet back to pre-merger levels, this stabilisation indicates consolidation in the bank's non-core revenue sources.

The merger has significantly increased trading revenue and operating income, while profit-sharing income shows strong growth potential. However, there has been a decline in ijarah income and other operating income, which may reflect a change in strategic focus or integration challenges post-merger.

D. Evaluation of Changes in Revenue Structure



Several significant patterns are visible based on the analysis of the trend of changes in the income structure of Bank Syariah Indonesia (BSI) from 2020 to 2023. Sales and purchase

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income consistently increase, primarily contributing to BSI's total income growth. This indicates the bank's strategic focus on Sharia sales and purchase products post-merger. Although profit-sharing income is experiencing minor fluctuations initially, it shows a strong recovery in 2023, reflecting the optimisation of the profit-sharing scheme after the adjustment period. In contrast, ijarah income experienced a drastic decline post-merger and has not recovered to pre-merger levels, indicating a possible shift in focus from ijarah products. Other operating income shows stable growth, indicating adequate diversification in operating income sources. Meanwhile, other business income experienced an initial decline but then stabilised, although it has not returned to pre-merger levels.

Several factors that may influence this change in revenue structure include the following: First, the post-merger integration process allows BSI to optimise the strengths of each previous bank, especially in sales and profit-sharing products. Second, changes in business strategy may focus more on products that provide a greater and more stable income contribution. Third, changing market conditions and customer preferences may lean more towards sales and profit-sharing products than ijarah. Fourth, increased operational efficiency after the merger, allowing the bank to optimise revenue from various sources. Fifth, government policies and regulations that may encourage growth in specific sectors of the Islamic banking industry. Finally, the impact of the macro economy and the COVID-19 pandemic may affect customer preferences and behaviour and the bank's strategy in dealing with economic challenges. These factors shape BSI's new revenue structure post-merger, reflecting the adaptation and optimisation of the bank's business model in a changing environment.

Conclusion

The merger of Bank Syariah Indonesia (BSI) has resulted in significant changes in the bank's revenue structure from 2020 to 2023. The analysis shows a substantial increase in trading revenue and a strong recovery in profit-sharing revenue, reflecting the success of BSI's strategy in optimising core Sharia banking products. Despite a decline in ijarah revenue and fluctuations in other business revenues, the bank's total revenue continues to show a positive growth trend. Factors such as post-merger integration, changes in business strategy, market conditions, and operational efficiency have contributed to the transformation of BSI's revenue structure. Overall, the merger has strengthened BSI's position in the sharia banking industry, increased competitiveness, and created growth potential.

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