

# Comparative Analysis of Bank Health Before And After The Merger (Study On PT Bank BCA Syariah)

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## ABSTRACT

This research aims to test and analyze the comparison of the bank's health before and after the merger at PT. BCA Syariah Bank. The observation data collection technique used in this research is documentation technique. The method used in this research is event study. Where the event window in this research consists of two years before the merger and two years after the merger. The analytical tools used are the paired sample t-test and the Wilcoxon signed-rank test. The test results and statistical data analysis show that the indicators in this study are not normally distributed. The results of the Wilcoxon signed-rank test show that there are significant differences in the NPL, LDR, GCG, ROA, NIM and CAR ratios between before and after the merger and the results of descriptive statistical analysis prove that the NPL, LDR, ROA, NIM and CAR ratios after the merger are better than before the merger.

**Keywords:** RGEC (Risk Profile, Good Corporate Governance, Earning, Capital), ROA (Return On Assets), NIM (Net Interest Margin), NPL (Non Performing Loan), LDR (Loan to Deposit Ratio), GCG (Good Corporate Governance), CAR (Capital Adequacy Ratio)

## 1. INTRODUCTION

Banks are business entities that collect funds from the public in the form of savings and channel them back to the community in the form of credit and/or other forms in order to improve the standard of living of many people (Kasmir 2014). Among several types of banking, Islamic banks have high popularity in the banking system in Indonesia. According to law no. 21 of 2008 defines a sharia bank as a bank that carries out business activities based on sharia principles, or the principles of Islamic law as regulated in the fatwa of the Indonesian Ulama Council. The proposition of the Qur'an which explains the basic principles of sharia banking is as follows:

يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَأْكُلُوا أَمْوَالَ بَيْنِكُمْ يَتَقَاتَلُونَ إِنَّ اللَّهَ كَانَ بِكُمْ  
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It means:

"O you who believe, do not devour your neighbor's wealth in a false way. Except in trades that take place on the basis of mutual consent between you. And don't kill yourself. Indeed Allah is most merciful to you" (QS An-Nilsa [4]:29)

History states that sharia banking has a good track record in dealing with the economic crises that occurred in 1998 and the Covid-19 pandemic which paralyzed all sectors, including the Indonesian economic sector. Sharia banks have proven to be financial institutions that can survive amidst the increasingly severe economic crises (Ardana, 2018). With the publication of POJK No. 12/POJK.03/2020 which contains regulations for additional minimum core capital that must be fulfilled by banks which explains how banks meet the minimum core capital of 3 trillion by consolidation through takeover, consolidation, merger, integrity or the formation of a Joint Business Group (KUB) scheme. PT Bank BCA Syariah is one of the banks which is included in the bank which has capital under the provisions which has capital of 2,844 trillion rupiah. Possible or possible business strategies to realize these problems for PT. BCA Syariah Bank is a merger with PT. Mandiri Bank. PT. BCA Syariah Bank officially merges PT. Mandiri Bank on December 10, 2020. The possibility of changes in the health level of companies resulting from mergers cannot be denied. According to Jawotho SJ & Wahyudi (2022), business combinations through consolidation, acquisition or merger ideally create mutually beneficial conditions so that there is an increase in performance which has a real impact by increasing the bank's health level. The guidelines governing the assessment of bank health levels are regulated in Bank Indonesia Circular Letter No.13/24/DPNP dated 25 October 2011 using the RGEC (Risk Profile, Good Corporate Governance, Earnings, Capital) approach. RGEC is an indicator for assessing bank health which determines whether a bank can be said to be healthy or not.

**Table1** Measurements Rilsk profile, GCG, Earnilngs and Capital PT. BCA Syariah Bank and PT. ILnterilm Bank

Components		Ratio Before Merger						Ratio After Merger	
		Interim Bank		BCA Syariah Bank		Average Interim Bank and BCA Syariah		BCA Syariah Bank	
		2018	2019	2018	2019	2018	2019	2021	2022
Rilsk profile	NPL	1.9	4.3	0.3	0.4	1.1	2.35	0.03	0.006
	LDR	116	118	89	88	102.5	103	85	85
GCG	GCG	1	1	1	1	1	1	1	1
Earnilngs	ROA	-1.3	-3.1	1.3	1.0	0	-1.05	0.9	1.1
	NILM	2.6	2.7	1.1	1.1	1.85	1.9	0.9	1.1
Capital	CAR	17.5	27.5	43.7	32.7	30.6	30.1	42.7	37.2

Accordilng to the analysils above, the health level of PT. ILnterilm Bank and PT. BCA Syariah Bank, which ils calculated based on the average before the merger usilng the RGEC (Rilsk Proille, Good Corporate Governance, Earnilngs, Capital) method iln the filnancilal statements for the 2018 to 2019 perilod, ils considered low. Thils ils reflected iln the hilgh total non-performilng filnancilng, the company's low abillilty to pay short-term debts, and a silgnilfilcant declilne iln ilncome untill the end of 2019. Meanwhile, the health level of PT. Bank BCA Syariah iln ils filnancilal reports for 2018 to 2022 as a whole experilenced fluctuatilons and remained iln a healthy conditilon.

## 2. RESEARCH METHODS

The type of research iln thils research ils quantiltatilve descriptilve wllth comparatilve analysils or comparilson of the level of bankilng health between before and after the merger. Comparatilve analysils iln thils research uses the RGEC method for companiles undergolng busilness mergers. The ratilos compared iln thils analysils are the Non Performilng Loan ratilo, Loan Debt to Ratilo, Good Corporate Governance, Return to Assets, Net ILnterest Margiln, and Capital Adequacy Ratilo between before and after the merger whilch are sourced from filnancilal reports. The data collectilon technilques used iln thils research are documentatilon technilques and lilterature study. The observatilon data collected comes from secondary data resultilng from published filnancilal report documentatilon. The observatilon data iln thils study are filnancilal reports for the month two years before and two years after the merger, namely at PT. ILnterilm Bank and PT. BCA Syariah Bank. Hypothesils testilng ils used to determinilne whether there are dilferences between the NPL, LDR, ROA, NILM and CAR ratilos before and after the merger. The analysils tool iln thils research uses SPSS versilon 26.

## 3. RESEARCH RESULTS AND DISCUSSION

### 3.1 Research Results

#### 3.1.1 Descriptive statistical analysis

The results of the descriptilve statilstilcal test are as follows:

**Table2** Descriptilve statilstilcal test results for NPL, LDR, ROA, NILM and CAR

Results	Before the Merger				
	NPLs	LDR	ROA	NILM	CAR
Min	0.01	45.03	-70.83	0.48	20
Max	44.95	982.85	0.42	56.92	59
Mean	692.73	238.27	-648.09	667.55	32.55
Std. dev	1333,411	30705,899	2126,851	1667,495	121.77
Results	Before the Merger				
Min	0	78.27	0.89	0.68	36
Max	1	90.59	1.59	1.83	44
Mean	0.73	84.30	117.18	123.27	39.18
Std. dev	0.463	442,470	25,549	35,950	3060

Based on the results of descriptilve statilstilcal tests, ilt proves that the NPL, LDR, ROA, NILM and CAR ratilos after the merger are better than after the merger. These results were concluded based on the average or mean value of each ratilo whilch showed a silgnilfilcant dilference between before the merger and after the merger.

#### 3.1.2 Normality Test Results

The results of the normality test are as follows:

**Table3** normalilty test results

Ratilo	Normality test results		Significance Levels
	Before the merger	After the merger	
NPLs	0,000	0,000	0.05
LDR	0,000	0.096	0.05
ROA	0,000	0.003	0.05
NILM	0,000	0.026	0.05
CAR	0.029	0,000	0.05

Based on the test results above, it can be concluded that the data is not normally distributed because the average significance level is less than 0.05. Given these results, the difference test was carried out using the Wilcoxon Signed Rank Test.

### 3.1.3 Wilcoxon Signed Rank Test

The Wilcoxon Signed Rank Test is used to determine whether there are differences in the NPL, LDR, ROA, NILM and CAR ratios between before and after the merger for hypothesis testing. The results are as follows:

**Table 4.** Wilcoxon Signed Rank Test Results for NPL, LDR, ROA, NILM and CAR ratios before and after the merger

Ratilo	Pair 1 Before - after the merger	
	Z	Asymp. Sig. (2-tailed)
NPLs	-4.198 <sup>b</sup>	0,000
LDR	-2.972 <sup>b</sup>	0.003
ROA	-3.744 <sup>b</sup>	0,000
NILM	-3.758 <sup>b</sup>	0,000
CAR	-3.515 <sup>b</sup>	0,000

Based on the results of the Wilcoxon Signed Rank Test above, it can be seen that the Asymp. Sig. (2-tailed) values of the NPL, LDR, ROA, NILM and CAR ratios are respectively 0.000, 0.003, 0.000, 0.000, 0.000, which means that the value is smaller than the significance value that has been determined at 0.05 (0.000, 0.003, 0.000, 0.000, 0.000 < 0.05), this means H1 is accepted and H0 is rejected. So it can be concluded that there are differences between the NPL, LDR, ROA, NILM and CAR ratio variables before the merger and after the merger. The results of this research are in line with the results of research conducted by Desil A. and Yunitati D. (2021) which found that the NPL, LDR, ROA, NILM and CAR ratios had significant differences in the level of banking health between before and after the merger. Apart from that, in another study by Lilsa RU and ILda BB (2019), the results of different CAR, NPL, ROA and LDR test analyses showed that there were significant differences in the financial performance of Bank OCBC NILSP before and after the merger.

## 3.2 Discussion

Discussion of research on PT. BCA Syariah Bank before and after the merger can be summarized as follows:

### 3.2.1. Descriptive Statistical Analysis

- NPL Ratio : The Non-Performing Loan (NPL) ratio after the merger showed a significant increase, from "very poor" to "very healthy" (PK1). This supports the theory of Fredrick S. Milshkiln (1990) which states that mergers can reduce risks related to portfolio concentration.
- LDR ratio : Loan to Deposit Ratio (LDR) also increased after the merger, from "poor" to "acceptable" (PK3). Portfolio diversification theory supports post-merger company stability.

- c. ROA Ratio : Return on Assets (ROA) improved from a "very poor" rating to "very healthy" (PK1) after the merger. William J. Baumol's (1982) economy of scale theory explains that mergers can increase profitability through cost savings.
- d. NIM ratio : Net Interest Margin (NIM) showed a decline after the merger, but remained in a "very healthy" rating (PK1). Eugene F. Brigham and Michael C. Ehrhardt's (2018) efficiency theory states that mergers can increase operational efficiency.
- e. CAR ratio : The Capital Adequacy Ratio (CAR) is in a "very healthy" condition after the merger, indicating increased capital and financial stability. Fredrick S. Mishkin's (1990) opinion supports the idea that mergers can help reduce risk and increase bank stability.

### 3.2.2. Non-Parametric Difference Test Wilcoxon Signed Rank Test

This test reveals significant differences in the NPL, LDR, ROA, NIM, CAR and GCG ratios before and after the merger, indicating the positive impact of the merger on bank health. Even though PT. Interim Bank experienced a decline in income before the merger, PT. BCA Syariah Bank shows stability after the merger and positive capital growth. This confirms that merging companies is not always detrimental if carried out with the right strategy. According to Cristian Wilbisono (1995), a company merger is a combination of two or more business entities that strengthen each other. The results of this research indicate that the health of the company after the merger can be better, depending on the strategy used to maximize the benefits of the merger.

## 4. CONCLUSION

The results of the merger carried out by PT. Bank BCA Syariah proved its success by significantly changing several problems brought by PT. Previous interim bank. Before the merger, there were major challenges such as high total non-performing financing, low company ability to pay short-term debts, and a decline in overall revenue. However, the results of this study state that after the merger, all these problems were resolved successfully. The results of comparative tests using the Wilcoxon Signed Rank Test show that there are significant differences in the level of bank health before and after the merger. The data from descriptive statistical testing shows significant improvements with the NPL (Non-Performing Loan), LDR (Loan to Deposit Ratio), ROA (Return on Assets), NIM (Net Interest Margin) and CAR (Capital Adequacy Ratio) ratios being within Very healthy composite warning. This proof provides a concrete illustration and real example for other companies that may face similar challenges, especially those with capital below the minimum core. This is also reinforced by the views of several economic experts who highlight the benefits of a merger strategy as the best alternative solution for companies in facing challenges and improving the company's health in the long term.

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