ANALYSIS OF FINANCIAL PERFORMANCE INDONESIA SHARIA BANKS
(Empirical Study on Muamalat Bank, BRI Sharia, BNI Sharia, and Bank Sharia
Mandiri)

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ABSTRACT

Financial performance is an analysis conducted to see how the bank is able to manage their capital properly. The important thing for the bank is to measure their financial performance, and also used to measure success of the bank's. The sample of this research is 4 general sharia banks in Indonesia which is, PT. Bank Muamalat, Tbk., PT. BRI Sharia, Tbk., PT. Mandiri Sharia, Tbk. dan PT. BNI Sharia, Tbk. This research used descriptive method, which the researcher used the secondary data obtained from www.bri.co.id, www.syariahmandiri.co.id, www.bankmuamalat.co.id, www.bnisyariah.co.id and the official website of the relevant banks, consist of prospectus and financial report from PT. Bank Muamalat, Tbk., PT. BRI Sharia Tbk., PT. Mandiri Sharia Tbk. dan PT. BNI Sharia Tbk. Ratios that be used in this research is Profitability Ratios which is, Net Profit Margin (NPM), Return on Asset (ROA), Return on Equity (ROE), the second ratios is Likuidity Ratios which is, Cash Rasio and Financing Debt Ratio (FDR), and the last ratios is Solvability Ratio which is, Capital Adequacy Ratio (CAR) and Debt Equity Ratio (DER).

Keywords: Financial Performance, Indonesia Sharia Bank’s, Profitability Ratio

KЕуwords: Kinerja Keuangan, Rasio Profitabilitas Bank Syariah Indonesia
INTRODUCTION

The sharia banks in Indonesia are young, the development so slow in Indonesia, but the realization occurred in 1992 by one of the government banks, Bank Muamalat Indonesia, with clear law. Indonesia Muamalat Bank (BMI), established in 1991, is the first bank in Indonesia to apply the principles of sharia, both in terms of capital and business activities.

The bank was initiated by the Indonesian Ulema Council (MUI) and the government as well as the support of the Indonesian Muslim Intellectuals Association (ICMI) and several Muslim businessmen. During the 1998 economic crisis that caused President Soeharto to step down, bankers wondered why Bank Muamalat could survive a crisis that made dozens of other conventional banks falling helplessly. Inspired by Bank Muamalat's stand against the crisis, Bank Mandiri Sharia stands, the second Sharia bank in Indonesia. Mandiri Sharia Bank is a combination of several state-owned banks that happened to be affected by the crisis in 1998.

Of course the bankers are betting again whether this bank will survive or not. They believe, if the Mandiri Sharia Bank can survive then sharia banking has a promising future in Indonesia. Who would have thought eventually Mandiri Sharia bank was quite successful and so the emerging emergence of various other Islamic banks in Indonesia. Currently the existence of sharia banks in Indonesia has been regulated in the Act that is Law no. 10 of 1998 on Amendment of Law no. 7 of 1992 concerning Banking.

Along with the development of banks in Indonesia, many conventional banks are turning their business into sharia banks. Establishment of Sharia banks is certainly based on the principles of sharia. Based on Article 1 paragraph (7) of Law Number 21 Year 2008 concerning Sharia Banking means sharia bank as a bank conducting its business activities based on sharia principles and according to its type consist of sharia commercial bank and bank of bank financing of sharia. Conventional commercial banks wishing to convert their business activities into sharia-compliant banks must comply with the provisions contained in PBI No.9 / 7 / PBI / 2007 Ali Syukron (2013: 2).

Bank Muamalat is the original bank or the first bank to apply with sharia system. Because Indonesia is a country with the largest Muslim population in the world, with 87.18% of the population are adherents of Islam. For that reason Bank Muamalat stands by offering a sharia system in accordance with Muslim life guidelines; Al-Qur'an. This resulted in conventional bank customers becoming more convinced to leave conventional bank and to move to Bank Muamalat, and also because of the global crisis in Indonesia that has an impact on conventional banks because sharia banks are not disturbed by the global crisis, so Bank Muamalat increasingly in demand. Despite the impact of the global crisis and the distrust of Muslim populations with conventional banks as they are believed to implement the system; usury. So that it becomes the reason why conventional banks convert themselves into Bank Sharia.

BRI sharia, Mandiri Sharia bank, and BNI Sharia are subsidiaries from the big conventional banks. Besides distrust from people has believed that conventional bank is riba in their system, so many people switch to bank with sharia system which means is system with profit-sharing. Because of that conventional banks convert to sharia bank. BRI Sharia, Mandiri Sharia bank, and BNI Sharia as subsidiaries from big conventional bank have main support from their parent bank besides support from government. So that why very easy for sharia banks as subsidiaries from conventional banks to develop very quick.

Although sharia banks in Indonesia are still very young but the development is very good in every year. The sustainable development of Sharia banking in Indonesia is not without obstacles. Sharia banks journey in Indonesia have faced many challenges. The main challenge is how to achieve people's trust to running their business based on Sharia Law, since there are so many people hesitate to believe that conventional bank convert to sharia bank. That conversion was judged only as imaging. Therefore, the researcher is interested in conducting this research entitled "Analysis Financial Performance of Indonesia Sharia Banks" in the period of 2013-2016 (Empirical Study on Bank Muamalat, BRI Sharia, BNI Sharia, Bank Sharia Mandiri). This research aims to seek the truth based on the background above and to compare the performance of Sharia banks that are studied.

Researcher wants to simplify the object of study by only focusing on the comparison of the financial performance of Sharia banks. Researcher compares and only focuses to the performance between Sharia banks which is Muamalat Bank as the original one bank and BRI Sharia, Mandiri Sharia, BNI Sharia as the subsidiaries from the big
conventional banks. Since the researcher attempt to only focus on Muamalat Bank as the original one bank and BRI Sharia, Mandiri Sharia, BNI Sharia as the subsidiaries from the big conventional banks, the researcher will rule out Bank BTN Sharia because it is a Business Unit. Researcher analyzes each object through the data from annual financial report published by each bank selected as object by the researcher. From the data, the researcher tries to measure it using financial ratios limited to quantitative data, which becomes the primary limitation in this study, so the researcher rules out qualitative data contained in the financial report.

LITERATURE REVIEW

Sharia Bank

Sharia bank is a bank that does business activity based on sharia principle, which is the rule based on Sharia law between the bank and other parties to save the fund and/or pay the business activities, or other activities that are stated in accordance with the sharia. Sharia bank or Islamic bank in other countries is different from conventional bank. The main difference lays on the base of operation that is used. While conventional bank operates based on interest, Islamic bank operates based on profit-sharing plus trading rent (Yumanita, 2005).

This is based on the belief that interest contains riba which is forbidden in Islam. According to Islamic view, there is injustice in interest system because the fund owners make the borrowers pay more than what they owe without considering whether the borrowers actually gain profit or not. On the other hand, profit sharing system used by Sharia bank is a system where the borrower and the fund owner share the risk and the profit based on the agreement (Yumanita, 2005).

In this case there is no party that is being inflicted to financial loss. Furthermore, if it is seen from economic perspective, Sharia bank can also be defined as intermediating organization which supplies public investment optimally (with its duty to pay the zakat and riba ban) and productively (with its gambling ban) and run based on Islamic value, ethic, moral, and principle (Yumanita, 2005).

Net Profit Margin (NPM)

Net Profit Margin (NPM) is a ratio that depicts the rate of bank profit, compared to the revenue earned from its operational activities. In which NPM refers to bank’s international income, especially the one that is earned from credit giving activity which, in practice, has a lot of credit risks (problem and bad debt credit), and also foreign exchange rate (if the credit is given in the form of foreign exchange). (Sutrisno : 2008).

According to Bank of Indonesia's Circular (No.6/23/DPNP on May 31st, 2004), a good NPM standard is 5%. Hence, the higher the value of NPM is, the more productive the company performance is, and it will also increase the investor's trust to invest their capital on that company. The NPM Formula is:

\[ NPM = \frac{Net\ Income}{Operating\ Income} \times 100\% \]

Return On Asset (ROA)

Return On Asset (ROA) is one of many profitability ratios used to measure company's effectiveness in earning profit by utilizing the total it has. According to Dendawijaya (2009), this ratio is used to measure the capability of bank management in earning profit in general.

According to Bank of Indonesia’s Circular (No.6/23/DPNP on May 31st, 2004), hence a good ROA standard is 1.5%. Therefore the higher ROA value, the better the company's performance is since the return rate increases. The ROA formula is:

\[ ROA = \frac{Profit\ Before\ Tax}{Total\ Asset} \times 100\% \]

Return On Equity (ROE)

Return On Equity (ROE) is a ratio used to measure the capability of bank management in managing capital to earn net income. (Kasmir : 2012) on the other hand, according to Dendawijaya (2009) ROE is a comparison between bank's net income and self capital. In which ROE is an important indicator for shareholders to know the bank's capability in earning net income related to dividend.

If this ratio increases, the net income of a bank will also increase, and it will affect the stock price of that bank consecutively. According to Bank of Indonesia’s Circular (No.6/23/DPNP on May 31st, 2004), hence a good ROE standard is 12%. The higher the value of ROE is, the higher the return earned by the capital owner for the invested capital. The ROE formula is:

\[ ROE = \frac{Net\ Income}{Equity} \times 100\% \]
**Cash Ratio**

Cash Ratio is the most stringent and conservative liquidity ratio on the bank's ability to cover its debt or short-term liabilities. This is because the Cash Ratio only takes into account the most liquid short-term current assets or assets that are the easiest and quickest cash and cash equivalents to use in paying off its current liabilities. The formula of quick ratio is:

\[
\text{Cash Ratio} = \frac{\text{Cash and Cash Equivalent}}{\text{Current Liabilities}} \times 100\%
\]

**Financing to Deposit Ratio (FDR)**

In Sharia banking, the term loan is not acknowledged; it is better known as financing. In general, the same concept can be found in Sharia banking while measuring the liquidity, in which it uses Financing to Deposit Ratio (Muhammad : 2005). Kasmir (2012) According to Bank of Indonesia's Circular (No.6/23/DPNP on May 31st, 2004), hence a good FDR standard is between 85%-110%. FDR is formulated as follow:

\[
\text{FDR} = \frac{\text{The Total of Financing}}{\text{Third Party Total Fund}} \times 100\%
\]

**Capital Adequacy Ratio (CAR)**

Capital Adequacy Capital (CAR) is the indicator for the bank performance to cover its decrease of activitas as the effect of bank's losses which caused by the most risky activa with its capital adequacy. Capital Adequacy Ratio (CAR) is the ratio that could be used to calculate bank performance in keeping the capital and the bank performance to identify, supervise, and control the risks which appears and affects how big the bank capital is. Kuncoro (2002).

Based on the regulation of Bank Indonesia circular letter (No.6/23.DPNP May 31, 2004), The good CAR standard is 8%. Therefore, the higher the CAR, the bank performance will be stronget to bear the risks of every credit or risky productive activa Wardiah (2013). CAR is formulated as below:

\[
\text{CAR} = \left(\frac{\text{Total Bank Capital}}{\text{RWA}}\right) \times 100\%
\]

**Debt to Equity Ratios**

Debt to Equity Ratio or in the Indonesian language is called the Debt to Equity Ratio or Capital Debt Ratio is a financial ratio that shows the relative proportion of Equity and Debt used to finance the company's assets. Debt to Equity Ratio is also known as Leverage Ratio (leverage ratio) is the ratio used to measure how well the structure of a company's investment (Kasmir, 2009).

Debt to Equity Ratio or DER is the main financial ratio and is used to assess the financial position of a company. This ratio is also a measure of the company's ability to pay its obligations. Debt to Equity ratio is an important ratio to consider when checking the financial health of the company. If the ratio increases, this means that the company is financed by the creditor (s) and not from his own financial resources that may be a dangerous trend (Kasmir, 2011).

Lenders and Investors usually choose a low Debt to Equity Ratio because their interests are better protected if there is a business downturn in the company. Thus, a company that has a Debt to Equity Ratio or a High Debt to Equity Ratio may not be able to withdraw capital by borrowing from another party. The good standards of DER is 1%. Debt to Equity Ratio (DER) with a figure below 1%, indicates that the company has a debt smaller than the capital (equity). The formula is:

\[
\text{DER} = \left(\frac{\text{Liabilities}}{\text{Equity}}\right) \times 100\%
\]

**RESEARCH METHOD**

This research used descriptive research by employing quantitative approach. The research is located Muamalat Bank, BRI Sharia, Mandiri Sharia, and BNI Sharia publish their annual financial report routinely. The researcher takes the 2013-2016 annual report to analyze the financial performance of Islamic banks in Indonesia, by focusing on private Islamic bank (Bank Muamalat) and commercial Islamic bank (BRI Syariah, BNI Syariah, and bank Mandiri Syariah). Research population in this research is the annual financial reports that are published by Muamalat Bank, BRI Sharia, Mandiri Sharia and BNI Sharia. The sample of this research is the Islamic banks existed in Indonesia, the private and commercial Islamic bank during 2014-2016.

**RESEARCH RESULTS AND DISCUSSION**

### Table 1 Comparative NPM

<table>
<thead>
<tr>
<th>Ratios</th>
<th>Samples</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability Ratios</td>
<td>Muamalat Bank’s Sharia</td>
<td>4%</td>
<td>1.1%</td>
<td>1.5%</td>
<td>2.1%</td>
<td>2.2%</td>
</tr>
<tr>
<td>NPM</td>
<td>BNI Sharia</td>
<td>7.5%</td>
<td>0.3%</td>
<td>5%</td>
<td>6.5%</td>
<td>5%</td>
</tr>
</tbody>
</table>
Based on the table, shows that the financial performance of PT. BNI Sharia was better than 3 other sharia banks. This caused by the average of financial ratios in terms of profitability, liquidity, and solvency, PT BNI Sharia was higher than the industry average. This indicates that BNI Sharia was better able to increase its wealth and inventory to increase business, third party, and capital, so the profit of BNI Sharia was better than 3 other sharia banks.

Financial performance of Mandiri Sharia is better than BRI Sharia and Muamalat Bank. This caused by the average financial ratios of Mandiri Sharia which is NPM, ROA, CR, FDR and CAR above the industry average. This indicates that Mandiri Sharia can improve business, third party funds well enough, although Mandiri Sharia was not good enough to increase its Equity, so the average of ROE and DER Mandiri Sharia financial ratio below the industry average, but Mandiri Sharia was better than with BRI Sharia and Muamalat Bank.

Financial performance of BRI Sharia was less good. This is because the average financial ratios of BRI Sharia are in terms of BRI Sharia's profitability, liquidity, and solvency below the

### Table 2 Recapitulation of the average calculation of financial ratios of PT. Muamalat Bank, Tbk., PT. BRI Sharia, Tbk., PT. Mandiri Sharia, Tbk., and PT. BNI Sharia, Tbk.

<table>
<thead>
<tr>
<th>Financial Ratios</th>
<th>Muamalat Bank</th>
<th>BRI Sharia</th>
<th>Mandiri Sharia</th>
<th>BNI Sharia</th>
<th>Industry Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NPM</td>
<td>2.2%</td>
<td>2%</td>
<td>2.2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>ROA</td>
<td>0.24%</td>
<td>0.66%</td>
<td>0.67%</td>
<td>0.67%</td>
<td>0.67%</td>
</tr>
<tr>
<td>ROE</td>
<td>2.6%</td>
<td>5%</td>
<td>10%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Liquidity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Ratio</td>
<td>94%</td>
<td>89%</td>
<td>92%</td>
<td>92%</td>
<td>88%</td>
</tr>
<tr>
<td>FDR</td>
<td>89%</td>
<td>88%</td>
<td>102%</td>
<td>102%</td>
<td>93%</td>
</tr>
<tr>
<td>Solvability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAR</td>
<td>14%</td>
<td>17%</td>
<td>59%</td>
<td>70%</td>
<td>40%</td>
</tr>
<tr>
<td>DER</td>
<td>2.5%</td>
<td>2.9%</td>
<td>1.8%</td>
<td>1.9%</td>
<td>2.3%</td>
</tr>
</tbody>
</table>

(Sources: data processed)
industry average. This indicates that Mandiri Sharia is not good enough to increase business, third party fund, and capital, although BRI Sharia is below the industry average, but BRI Sharia has viewed from the average better financial ratio than Muamalat Bank.

Financial performance of Muamalat Bank was not good. This caused by the average ratio of Muamalat Bank's finances are in terms of profitability, liquidity, and solvency below the industry average and also below the average financial ratio of 3 other sharia banks. This is due to the inability of Muamalat Bank to increase its business, third party funds, and capital, thereby decreasing the bank profit in 3 years period. Muamalat banks are in the last position compared with 3 other sharia banks.

As the original one bank, the bank's muamalat is not in a good position compared to conventional Sharia Banks, namely BRI Sharia, Mandiri Sharia and BNI Sharia. Although the bank muamalat is the first established sharia bank, the reason the muamalat performance is not good compared to the other three sharia banks due to the bank muamalat in the last 4 years is in trouble in managing its capital as based on the annual financial statements Muamalat Bank records total assets on in 2016 by 55.7% and net income of 34.17%. If the performance of bank muamalat continues like this there is a possibility of being threatened with bankruptcy.

According (Wibisono: 2017) as an economic center researcher that true Muamalat Bank notes performance less than the shrinking Profitability Ratio, shrinking capital until the burden of high operational costs. As a result of this, the profit and capital are disrupted to require additional capital. But the majority shareholders do not want to added capital to the original one bank sharia bank in Indonesia. But this will not make Muamalat Bank bankrupt because the 3rd quarter of last year is good enough.

Compared to Muamalat Bank which is in poor performance, these three conventional Sharia Banks are in excellent position. BNI Sharia is at the first level with excellent financial performance. Same with Mandiri Sharia is at the second level with a good financial performance, and on the third level is BRI Sharia which shows good financial performance. The reason sharia banks conventional derivatives is better than the original bank; Muamalat Bank. Since the main support of these conventional sharia banks are their own parents bank, beside from BI itself, with so many support that the bank's capital will be higher.

CONCLUSION & SUGGESTIONS

Conclusions
1. Financial performance of Muamalat Bank, BRI Sharia, Mandiri Sharia and BNI Sharia, showed that BNI Sharia Profitability Ratio is better than 3 other sharia banks, showed by BNI Sharia with NPM, ROA and ROE rate during year 2013-2016 is very good, with rate of NPM is 9%, ROA rate is 1.2%, and ROE rate is 10%. while Mandiri Sharia is in second position with the NPM, ROA and ROE with rate of NPM is 6%, and ROA rate 0.67%, and ROE rate is 6%, under BNI Sharia, due to unstable bank performance in 2014 so greatly affect the development of banks in obtaining profit at that time, including two other sharia banks, BRI Sharia and Muamalat Bank's. The third position is BRI Sharia is good enough in managing profit, showed by the NPM, ROA and ROE better than Muamalat Bank's. With rate of NPM is 5%, ROA rate is 0.66%, and ROE rate is 5%. Muamalat Bank's as the original one bank is in last position which indicates that Muamalat Bank's isn't in a good position compared to three other sharia banks.

2. Financial performance of Muamalat Bank, BRI Sharia, Mandiri Sharia and BNI Sharia showed that the Liquidity Ratio of BNI Sharia and Mandiri Sharia better than Mumalat Bank's and BRI Sharia. What is shown by Mandiri Sharia who have Cash Ratio better than three other sharia banks in the period of 2013-2016 with the average ratio reached 117% compared with Muamalat Bank with an average of 94% and Mandiri Sharia with an average of 79%. And compared to BRI Sharia which has the lowest Cash Ratio rate is 55%, it means that BRI Sharia isn’t in good at managing Cash Ratio. And BNI Sharia which showed its FDR rate with an average ratio of 102% better than three other sharia banks in 2013-2016, compared to Mandiri Sharia has an average ratio is 92% and third level is Mumalat Bank with average rate of 89%. BRI Sharia which has the lowest FDR rate compared is 88%. Which means during year 2013-2016 BRI Sharia has the most unfavorable Ratio Likuidity.
3. Muamalat Bank's financial performance, BRI Sharia, Mandiri Sharia and BNI Sharia showed that the first Solvability Ratio is CAR, the best rate is shown by BNI Sharia with 70% average ratio, which means that BNI Sharia is best in maintaining capital performance compared to Mandiri Sharia with rate of CAR is 59%, BRI Sharia with rate of CAR is 17% and Muamalat Bank's as the original one bank which have the lowest CAR of 14%, it means Muamalat Bank's isn’t in good to managing their capital. While the best DER rate shown by BRI Sharia with 2.9%. Which means the higher the DER rate the greater the third party funds earned so that the possibility to earn greater profit. Compared with Muamalat Bank with rate of CAR is 2.5%, and compared with BNI Sharia with rate of DER is 1.9%. The lowest DER is shown by Mandiri Sharia with a value of 1.8%, it means that Mandiri Sharia isn’t in good at managing DER.

4. Muamalat Bank as the original one bank has not good performance compared to the other three conventional Sharia banks due to the bank muamalat in the last four years is in trouble in managing its capital as based on the annual financial statements Muamalat Bank records total assets on in 2016 by 55.7% and net income of 34.17%. As a result of this, the profit and capital are disrupted to require additional capital. But the majority shareholders do not want to added capital to the original one bank sharia bank in Indonesia. But this will not make Muamalat Bank bankrupt because the 3rd quarter of last year is good enough. Compared to Muamalat Bank which is in poor performance, these three conventional Sharia Banks are in excellent position. BNI Sharia is at the first level with excellent financial performance. Same with Mandiri Sharia is at the second level with a good financial performance, and on the third level is BRI Sharia which shows good financial performance. The reason sharia banks conventional derivatives is better than the original bank; Muamalat Bank. Since the main support of these conventional sharia banks are their own parents bank, beside from BI itself, with so many support that the bank's capital will be higher.

Suggestions
1. Management of Muamalat Bank's needs to improve in their performance for subsequent years in order to keep its banking financial ratios in good condition. Muamalat Bank's shows the lowest Profitability Ratio compared to BNI Sharia, Mandiri Sharia, so a better performance strategy is needed in order to improve its profitability in the coming years.

2. For the government about financial performance decreasing of the Muamalat Bank in the last 4 years, is expected to be more concerned and needed to be intervened directly by the government, as in the example of government in Malaysia, where the government issued supportive policies, such as tax incentives, research aid, and APBN and APBD is placed partially to sharia bank. And also auxiliary stock addition to bank muamalat and provide income and financing business assistance so that its capital can be stable. Not for Muamalat Bank only, it is expected that all other sharia banks in Indonesia. hope that government can applied and fair to all of Sharia Bank in Indonesia

3. All the Sharia Banks are good enough to produces Liquidity Ratios but it still need to improve so that in the coming years produce better Liquidity Ratios, especially for BRI Sharia. BRI Sharia showed the lowest Liquidity Ratio compared to three other sharia banks, so it is necessary to improve the financial performance of the banking system for the better.

4. For the all Sharia Banking in Indonesia should pay more attention the Solvability Ratio, especially on the CAR ratio, by continuing to increase the CAR in banks such as by providing funds such as increasing equity for business development, selling that unproductive assets that will reduce the RWA due to greater assets the greater the risk. So more higher the CAR ratio for that the bank be able to do their finance budgeting get well. And also for DER ratios, which are high DER rate, the greater the chances of earning bigger profits due to large third party funds. Especially for Muamalat Bank's which CAR and DER is the lowest compared to three other sharia banks. Performance improvement is required to obtain a stable and even better Solvability Ratio

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