



The Challenges of Bank Syariah Indonesia Post-Merger

Nidya Waras Sayekti^{1*}, Ariesy Tri Mauleny¹, Sony Hendra Permana¹, Achmad Chotib²

¹Center for Research of the Parliamentary Expertise Agency of the Indonesian House of Representatives, 10270, Indonesia

²Bank Syariah Indonesia, 11650, Indonesia

Corresponding author's email: nidya.sadun@gmail.com

ABSTRACT

Bank Syariah Indonesia (BSI) was officially merged on February 1, 2021. After the BSI merger, management have to face various challenges both internal and external to the company. This research is a descriptive study with qualitative methods and uses secondary data from various literatures. This study aims to examine the challenges of post-merger BSI both internal and external to the company. Several challenges must be faced by the company from the internal side, such as: differences in work culture, integration of systems, products, and services, as well as organizational restructuring. Meanwhile, the challenges from the external side of the company are: low literacy, inclusion and market share of sharia banking, different characteristics of customers from the three legacy banks that require good communication from BSI's human resources, demands to produce competitive and innovative products and improve performance.

Keywords: Challenges; Bank Syariah Indonesia; Post Merger; Sharia Banking

1. INTRODUCTION

Bank Syariah Indonesia (BSI), which was established on February 1st, 2021, is a merger of three sharia banks, a subsidiary of State-Owned Enterprises (BUMN). The three banks are Bank Syariah Mandiri as a subsidiary of Bank Mandiri, BNI Syariah as a subsidiary of Bank BNI, and BRI Syariah as a subsidiary of Bank BRI. This merger unites the advantages of the three sharia banks to provide a more complete service, wider range, and better capital capacity. BSI is encouraged to be able to compete at the global level with the support of Bank Mandiri as the parent company of BSI and the government's commitment through the Ministry of BUMN.

The BSI merger is a horizontal merger, namely a merger between two or more companies engaged in the same industry. Prior to the merger, these companies competed with each other in the same market or industry. The main objective of this horizontal merger is to reduce competition or increase efficiency by combining production, marketing, distribution, and other activities. According to Estanol and Jo in a merger there are three stages, namely: pre-merger, merger, and post-merger.

Currently, BSI is in the post-merger stage, where there are several steps that must be taken by the company. These steps are restructuring, building a new culture which is a combination of the advantages of the previous corporate culture or a new culture for the company, and transition.

The merger of banks in the midst of an economic crisis is not the first experience in the history of banking in Indonesia. Bank Mandiri is a merger of Bapindo, Bank Exim, Bank Bumi Daya, and Bank Dagang Negara. Bank Mandiri is evidence of the results of a bank restructuring policy be caused of the 1997/1998 crisis. Unlike the Bank Mandiri merger, the BSI merger is a merger of three sharia banks that are healthy and have their respective strengths.

The BSI merger in the midst of the COVID-19 pandemic has become a leap for the Indonesian sharia finance industry. This momentum took advantage of the contraction of Indonesia's economic growth which was not as deep as neighbouring countries. The establishment of BSI in the midst of the economic crisis due to the Covid-19 pandemic has actually strengthened Indonesia's

sharia finance position in the regional and global arenas. BSI was born in the midst of stagnant growth in the market share of sharia banking compared to conventional banks.

Based on data compiled by the Financial Services Authority (OJK), the market share of sharia banking as of November 2020 was 6.6 percent. This figure increased slightly compared to the third quarter of 2020, which was 6.47 percent. Meanwhile, the market share of sharia banking in the second quarter of 2020 was 6.4 percent and the first quarter of 2020 was 6.19 percent. This figure is not much different from the 2019 position, which was 6.14 percent in the first quarter of 2019, to 6.15 percent in the second quarter of 2019, and 6.14 percent in the third quarter of 2019. The position of sharia banking strengthened slightly at the end of 2019 to 6.39 percent due to the conversion of Bank Aceh to Bank Aceh Syariah.

The BSI merger is very interesting to study because the momentum is carried out when the Covid-19 pandemic is still hitting the country, thus adding to the challenges that will be faced. For this reason, in this article, we will discuss the challenges of post-merger BSI both internal and external to the company.

2. METHOD

This research is a descriptive research with qualitative method. Sources of data used in this study are secondary data from various literatures on bank mergers or the development of BSI after the merger. The data that has been collected is filtered and reduced so that it can answer the research question, namely the challenges faced by

BSI after the merger, both from internal and external to the company.

3. RESULT AND DISCUSSION

Sharia banking has an important role as a facilitator for all economic activities. The existence of the Islamic banking industry in Indonesia has experienced a significant increase and development in the past three decades. Product innovation, service improvement, and network development show positive trends from year to year. BSI is an effort to create a sharia bank that is the pride of the people which is expected to become a new energy for national economic development and contribute to the welfare of the wider community. The existence of BSI is also a reflection of the face of sharia banking in Indonesia which is modern, universal, and provides goodness for the whole world (Rahmatan Lil ‘Aalamiin).

However, BSI has various challenges that must be faced after the merger. Indef’s Sharia economist, Fauziah Rizki Yuniarti, predicts a number of challenges for BSI in the future, both internal and external to the company. The internal challenges come from the cultural friction of the three merged banks. In this case, a leader’s role is needed to ensure that the crush culture will not affect the company’s productivity. Furthermore, companies must also integrate information systems and technology from the three banks. The integration includes ATM integration, mobile banking services, branch offices, and so on. This integration aims to reduce BSI operational costs in the future. The challenges must be faced by BSI after the merger, both internal and external, are grouped in Table 1.

Table 1 The Challenges of Bank Syariah Indonesia Post-Merger

Internal	External
1. The differences in work culture	1. Competitive products
2. The integration of information systems and technology (ATM, Mobile Banking, Branch Offices)	2. Products and services innovation
3. Products and services combination	3. The differences of customer characteristics from the three shariah banks
4. Digitalization	4. Have competent and professional human resources
5. Organizational restructuring	5. Increasing sharia financial literacy and inclusion

Source: Processed data, 2022.

BSI’s products and services are a combination of the products and services of the three legacy banks. In addition to the combined products and services, BSI is also required to produce competitive products through appropriate research and development in order to compete with conventional banks. In this case, BSI must understand the wants and needs of the market.

BSI must have qualified human resources and be able to communicate with customers or prospective customers. This aims to promote BSI to the public and provide information about the sharia system in BSI, so

that it is hoped that the relationship between the bank and the community as customers can run well. In addition, financial literacy is also needed for the community, as stated by OJK that the importance of financial literacy is to increase the literacy of someone who was previously less literate or non-literate to become well literate, as well as to increase the number of users of financial service products in the long term. Public interest in using sharia banks depends on the knowledge and understanding of the community about a financial institution. People tend to choose based on what they know.

Another challenge from the company's internal side is restructuring. Organizational restructuring is a challenge for BSI management. The future focus of the business will certainly greatly influence the choice of the company's organizational structure. Will it swell above, in the middle, or below so that it will affect the quantity and quality of human resources (HR) needed in the company. The digitization and integration of service offices that will be built by BSI will also affect the presence of human resources in the company. For this reason, BSI management must be able to determine various alternatives in order to create an ideal organization with existing human resources and reduce turmoil that may arise.

Meanwhile, from the external side of the company, several challenges will be faced by BSI, namely the low literacy of sharia finance, causing low consumer confidence and awareness in sharia products. In addition, sharia finance sector players are also in a comfort zone because they rely on the world's largest Muslim population so they lack motivation to innovate. In fact, research reveals that Indonesia's position as the country with the most Muslim population is predicted to be replaced by India, Pakistan and Nigeria in the next 5-10 years.

Post-merger, BSI management carries "BSI One Culture" as BSI's work culture with corporate values: Amanah (holding firmly to the trust given), Competent (continuing to learn and developing capabilities), Harmonious (caring for each other and respecting differences), Loyal (dedicated and prioritizing the interests of the nation and state), Adaptive (continuing to innovate and enthusiastic in moving or facing change), and Collaborative (building synergistic cooperation) which is shortened to AKHLAK.

BSI has also migrated the system to unify the transaction systems of the three legacy banks. The system used as the basis for transactions is the Bank Mandiri Syariah system, so ex-BNISyariah customers and ex-BRI Syariah customers must replace their savings books, ATMs, and mobile banking. The system migration process was completed on November 1, 2021. After this single system, all products and services in the three legacy banks can be served entirely in one BSI system. Currently, BSI has one core banking system, one enterprise data, one bank code code (451), and one financial reporting under the name Bank Syariah Indonesia.

The BSI merger requires the consolidation of the three legacy banks. According to Abdullah Firman Wibowo, Director of BNI Syariah in a focus group discussion with the Research Center of the Secretariat General of the DPR RI on August 18, 2020, consolidation was carried out through three phases, namely the integration phase, the synergy phase, and the transformation phase. Currently, BSI is facing an integration phase.

In line with that, BSI President Director Hery Gunardi said that it took almost 11 months for the project management office to legalize the merger of these three banks. Then about 9 months for the implementation of the merger. This means that BSI will focus on integrating in the last 2 years. After the merger integration is complete, BSI will focus more on running the business. BSI will focus on organically increasing financing by paying attention to quality, working on low-cost funds, lowering the cost of funds, and optimizing commission-based income, especially from digital innovation. Digital acceleration is one of BSI's focuses in increasing its business. BSI targets customer growth from 15 million to 40 million customers and return on equity (ROE) from 14 percent to 18 percent in 2025.

BSI is considered to be able to significantly boost performance in the future. BSI has the capital to work on the economic potential and sharia finance in the country. Once integrated, the potential to increase BSI's market share is even greater. BSI is expected to be able to work on the economic and sharia financial potential that has not been optimally exploited. To support its achievement, BSI must have a qualified technology base so that it is able to work on the digital banking market. The transformation of banking services during the pandemic will be the main support for BSI's growth. Currently, BSI has the ability to work on syndicated financing outside of retail financing to boost its performance,

Digitalization is still a strategic issue for sharia banking in Indonesia because digitalization requires a qualified technology infrastructure with large investment funds. There are still many opportunities for developing digital products that can be done in the face of increasingly strong digital adoption by society. The development of digital services will be able to expand the market during a pandemic where direct interaction is limited. Through digitalization, sharia banking will also be able to take advantage of the market potential of the unbanked community in Indonesia, which is still very high at 75 percent. Through increasing digital capabilities, it will strengthen the sharia banking business amidst the uncertainty of economic growth due to the Covid-19 pandemic.

This market opportunity through digital banking was captured by BSI by offering various digital transaction services such as: BSI Mobile, Open Account Online, Gold Solution, BSI QRIS, BSI Cardless Withdrawal, BSI Debit Card, BSI Debit OTP, BSI ATM CRM, BSI Aisyah, BSI Net, BSI JadiBerkah.id, BSI Merchant Business, BSI API Platform, BSI Smart Agent, BSI Payment Point, Deposito Mobile, and Griya Hasanah Online Top Up through BSI Mobile. In addition to these services, there are still many digital services that can be developed by BSI, such as electronic money which is currently only owned by conventional banks. For this reason, BSI must dare to invest in technology and

information so that it can compete with conventional banks.

4. CONCLUSION

After the merger of three sharia banks to become Bank Syariah Indonesia, the company was faced with various challenges. These challenges come from internal and external to the company. The challenges that must be faced by BSI from within the company are differences in work culture, integration of systems, products and services, and organizational restructuring. Meanwhile, the challenges that BSI must face from external parties are the low literacy, inclusion, and market share of sharia banking, the different characteristics of customers from the three legacy banks that require good communication from BSI's human resources, demands to produce competitive and innovative products and improve performance. For this reason, it takes a strategy and management that is capable of managing BSI so that the presence of BSI has a good impact on the development of Islamic financial institutions and the national economy.

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