

Evaluation of the Spinoffs Criteria: A Lesson from The Indonesian Islamic Banking Industry

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Abstract

Spin-off policy is one of the crucial issues in the Indonesian Islamic Banking Act (The Act of 21/2008). This paper is going to evaluate the spinoffs criteria that are inherent in the Act of 21/2008. The method that has been used in this paper to evaluate the spinoffs criteria is ARIMA and simulation. This ARIMA method is used to forecast that the Islamic banking unit can achieve the fifty percent asset after fifteen years after this act. The object that is used in this paper is four Islamic spin-off's banks, five Islamic banking units, and two Islamic full-fledged banks. The ARIMA result shows that from all of the objects in fifteen years or the year of 2023, there are no Islamic banks either Islamic full-fledged banks or Islamic banking unit can achieve the fifty percent asset. Besides that, based on the simulation it needs high growth asset to achieve the market share asset of its parent's banks. According to these results, this study suggests the regulator should revise the spinoffs criteria using the strict criteria that based on either nominal assets, capital, financial ratio or the others.

Keywords:

*Spinoffs Criteria,
Islamic Banks,
ARIMA, simulation*

INTRODUCTION

There now exist a growing literature about the spin-off, but only several kinds of research discuss Islamic bank's spin-off. The Islamic bank's spin-off was first practiced in Indonesia. This spinoff is what makes the research about Islamic bank's spin-off become a unique practiced in the Indonesian Islamic banking industry. According to the Islamic Banking Law No. 21 of 2008, there are two types of Islamic banks in Indonesia, namely; Islamic full-fledged banks and Islamic business unit (Islamic unit of conventional banks).

As we know, the regulation about Islamic bank's spin-off in Indonesia is based on Law No. 21 of 2008 verse 68. In this law, the Islamic business unit of conventional banks must spin-off if they had fulfilled the criteria, such as the Islamic business units has reached 50% of the parent bank's assets or 15 years after the Law No. 21 of 2008 is applied. After this law had applied, the regulator (Bank of Indonesia) forced some Islamic business unit to do the spinoffs, although they had not reached yet one of the criteria (voluntary spin-off. Because there is no Islamic business unit that able to met the criteria.

There is still a debate over the impact of spin-off on the performance of Islamic banks. Some studies suggest that spin-offs have a positive impact on the performance, such as: deposit funds (Nasuha, 2012; Al Arif, 2014) and profitability (Hamid, 2015). While some other studies show the opposite effect, such as: total asset (2015c), total financing (2015a), and efficiency (Al Arif, 2015b). Haribowo (2017) and Al Arif, et.al (2017) suggest that the spin-off policy should evaluate. This difference then led to a research gap whether the spin-off criteria is correct or not.

In this paper, we try to contribute to the empirical studies about the spin-off criteria evaluation. According to this spin-off's criteria, this paper is going to evaluate if this criterion is correct or if the criteria need to evaluate. This paper is going to do a mid-term evaluation of spin-off policy. Besides that, this research is trying to offer the other criteria that suitable for the Islamic bank's spinoff. The Islamic bank's spinoff model in Indonesia can become a role model for Islamic banks spinoff in other countries; this is another contribution that is offered in this paper. The difference between this paper and previous studies (such as: Haribowo, 2017; Al Arif, et.al, 2017), this study focused on the evaluation of spin-off criteria in some sample banks.

This study found that the sample banks (such as: four spin-off's banks, one Islamic business unit owned by state owned banks, two Islamic business units owned by regional development banks, two Islamic business units owned by private banks, and two Islamic full-pledge banks) can't achieve the 50% of the parent bank's assets.

One target of the spinoff policy is to achieve the 5% Islamic bank's market share. This objective planned to be achieved in 2008, but until 2015 the goal still couldn't be achieved. Data in table 1 shows that the spinoffs policy still can't accelerate the growth of Islamic banking industry faster than the growth of conventional banks. After the enactment of Law, No.21 of 2008 appeared a new trend establishment of Islamic banks through the mechanism of acquisition and conversion of conventional banks into Islamic banks. The implementation can be done through three approaches, namely: First, conventional commercial banks that already had Islamic banking unit acquire a relatively small bank and then convert it into a full Islamic commercial banking, thereby releasing as well as incorporating Islamic banking unit with the newly converted bank. Second, conventional commercial banks that do not have an Islamic banking unit, acquired a relatively small bank and convert it into an Islamic commercial bank. Third, the conventional bank separation (spinoffs) and used as a separate Islamic Banks.

Table 1. The Market Share Growth of Indonesia Islamic Banking Industry

Year	Islamic banks (millionUS\$)	Conventional banks (millionUS\$)	Market share (%)
2003	604.53	92,743.01	0.65
2004	1,160.08	96,673.46	1.20
2005	1,582.69	111,457.47	1.42
2006	2,026.20	128,240.61	1.58
2007	2,759.95	149,997.18	1.84
2008	3,721.96	173,923.22	2.14
2009	4,991.15	191,232.00	2.61
2010	7,255.94	223,948.77	3.24
2011	10,737.93	269,797.31	3.98
2012	14,330.36	312,889.92	4.58

2013	17,616.34	362,476.23	4.89
2014	18,054.87	431,934.62	4.18
2015	21,810.67	455,337.69	4.79

Source: Islamic Banks Statistics, Bank of Indonesia

Assumption: US\$ 1 = IDR 13,000

The growth of the Indonesian Islamic banking industry had decreased in the last three years. Data in Table 2 shows that although the deposit funds, financing, and asset are still increasing in nominal. The growth is decreases from 2012 until 2014. The highest growth occurred in the year 2011. The data showed that the spinoffs policy that was imposed by the regulator still doesn't have a direct impact in accelerating the growth of the Indonesian Islamic banking industry.

Another problem that occurred in the Indonesian Islamic banking industry, especially after the spinoffs policy that was forced by the regulator is at the financial ratio of Islamic banking industry. One reason why the regulator forced some Islamic business unit to spinoffs is to increase the performance of Islamic banking industry. But, from the Islamic banking statistics that is published by the Bank of Indonesia show that after the spinoffs policy applied, the financial ratio of Islamic banking industry is still fluctuating. Even in recent years, there is a decline in some financial ratio of Islamic banking industry, such as the declining return on assets and equity; the increasing of non-performing finance; and the declining efficiency ratio. This fact indicates that the spinoff policy, which is one of the reason is to improve the financial performance of the Islamic banking industry is still not showing a significant effect.

Table 2. The Development of Fund, Financing, and Asset of Islamic Banking Industry

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Deposit Fund Growth (%)	32.67	35.50	31.56	41.84	45.46	51.80	27.81	17.97	7.23	28.64	20.11
Financing Growth (%)	34.23	36.69	36.68	22.76	45.42	50.56	43.69	21.54	4.80	16.01	23.98
Asset Growth (%)	27.98	36.73	35.63	33.37	47.55	49.17	34.06	17.71	6.38	4.04	19.09

Source: Statistic of Islamic Banking, Bank Indonesia

From the explanation above, we can say that the spinoffs policy that was forced by the regulator has still not shown a significant effect to accelerate the growth and financial performance of Islamic banking industry in Indonesia. Based on this fact, the spinoffs policy should be evaluated. This research is going to evaluate the spinoffs criteria in The Law No. 21 of 2008.

This paper is going to; first, evaluate the spinoff criteria by using ARIMA to forecast the shared asset of its subsidiary banks to the parent's banks. Second, perform simulations to predict the asset rate of growth that must be achieved by the subsidiary to make 50% share asset on its parent's banks. Third, recommended several spinoffs' criteria that are proper for the Islamic business unit spin-off.

LITERATURE REVIEW

Concept of Spin-off

The research about Islamic banks spinoff is still limited, so we can use the spinoffs theory from another industry to replicate on Islamic banks spin-offs. According to Elfring and Foss (1997), there are two types of spin-offs, namely: first, regarding its parent company, in which the parent company for any reason is not able or not able to exploit the opportunities that come. The second type is related to organizational units as an individual; this second type is the kind most widely performed, in which the subsidiary is not the same as its parent's company. This second category contained in the spinoffs of the Islamic banking units in conventional banks in Indonesia.

Chemmanur et al. (2014) analyze the effect of the spin-off on performance that is measured by productivity. They find how (the precise channel and mechanism), where (parent and subsidiary), and when (the dynamic pattern) efficiency improvements arise on the subsequent spin-off. Another result that they find out is that the spin-off increases total factor productivity, while the post spin-off productivity can be attributed to cost saving, the plant that is spun-off do not underperform parent plants before the spin-off, and the independent spun-off entities show greater improvements in productivity compared to related spun-off entities.

Kleppler and Thompson (2010) built the new theory about the intra-industry spin-offs that based on disagreement. The paper focused on what can learn about intra-industry

spinoffs from accumulating statistical regularities and leading case studies. The result showed that a theory of conflicts born from the inherent difficulties in evaluating new ideas by decision-maker. We can use this paper as an argument why the Islamic business unit should spinoffs from their conventional bank parent. One of the arguments is because of the differences between the Islamic bank characteristics and conventional bank so that it will lead the disagreement in Islamic business unit with their conventional bank parent.

Islamic Banking

According to Islamic Banking Law No. 21 of 2008, Islamic banking defined as everything concerning about the Islamic full-fledge Bank and Islamic Business Unit, covering institutional, business activities, as well as the manner and process of carrying out its business activities. From this definition, there is two institutions in the Indonesian Islamic banking namely Islamic full-fledged and Islamic business unit. The emergence of these two bodies in Islamic banking in Indonesia relates to the dual banking system adopted in the banking system in Indonesia.

In 2008, the Law No. 21 of 2008 concerning Islamic Banking published. The Law No. 21 of 2008 is a special law regulating Islamic banking industry. Before the Law No. 21 of 2008 was established, there were several regulations concerning Islamic banks in Indonesia. There were the Law No. 7 of 1992 and the Law No. 10 of 1998. In the Law No. 7 of 1992 about Banking, the Islamic banks were defined only as profit sharing banks. The next development is the presence of Law No. 10 of 1998 about Banking. Law No. 10 of 1998 declared that the banking system in Indonesia is adopting a dual banking system. In this law, Islamic banking is defined as a bank that is operational with Islamic principles.

One of the crucial points in the Law No. 21 of 2008 would be the regulation about the Islamic business unit spin-off if they fulfilled the criteria. The spin-off rules according to this act are when the Islamic business unit has reached the 50% assets of its parent banks or have operated for 15 years after this Act enactment. After the Act No 21 Of 2008 fully was established, several Islamic business units spun-off although they have not still fulfilled the criteria based on the Act. This Law has resulted in the increasing number of full-fledged Islamic banks. Before,

there were only three Islamic full-fledged banks and 26 Islamic business unit, but now there are 12 full-fledged Islamic banks and 22 Islamic business unit.

Islamic Bank's Spin-off

There are a few kinds of research that had discussed the effect of the spin-off on the performance of its spin-off's banks. Some research has shown that the spinoff decision had an impact on the performance of its spin-off's banks between pre and post-spinoff (Nasuha, 2012; Al Arif, 2014; Hamid, 2015). Nasuha (2012) finds that only asset, financing, and deposit funds that show a difference between before and after spinoffs policies on that five banks. Otherwise, for other variables such as CAR, FDR, ROA, and ROE, it revealed that there was no difference on CAR, FDR, ROA, and ROE in Islamic banks. Al Arif (2014) finds that the spinoff had a positive influence on the deposit funds at the Islamic banking industry. Hamid (2015) believes that the spinoff had positive effects on the profitability in the Islamic banking sector.

But, some research has shown that the spinoff decision didn't give an effect of the performance in its spin-off's banks (Al Arif, 2015a; Al Arif, 2015b; Al Arif, 2015c). Al Arif (2015a) finds that there are no differences in financing between pre and post-spinoff at the spin-off's banks. Al Arif (2015b) believes that the spinoff decision had increased the operational inefficiency in the Islamic banking industry. Al Arif (2015c) concludes that there is no difference in the asset between pre and post-spinoff at the spin-off's banks.

Rizqullah (2013) conducted a study on the selection method of the spinoffs of Islamic business units of conventional banks into Islamic banks in Indonesia by using the approach of Analytical Network Process (ANP). The research findings obtained, the spinoffs method Sharia unit for the establishment of Islamic banks by forming a new company is an alternative establishment of Islamic banks and is appropriate based on the combined judgment of experts and practitioners. The next order of alternative strategy is a spinoff by using the agency or company that already exists. Alternative establishment of Islamic banks to establish new Islamic banks included in the selection process intended as a counterweight and at the same time to get a more comprehensive input from experts and practitioners.

RESEARCH METHOD

This paper attempts to exercise the growth of the Indonesian Islamic banks, particularly to examine how does the Islamic banks can achieve the Islamic banks of 50% share assets. In particular, by using an econometrics tool namely, Autoregressive Integrated Moving Average (ARIMA). ARIMA is a forecast method that emphasizes on the behavior of time series of a variable without observing any other variables. We use ARIMA to estimates expect the 50% share asset that can achieve in 2023. The variable that is going to predict is the shared asset of Islamic banking units from their conventional parent banks. The research objects of this study are five Islamic banking units. The following banks are Bank of CIMB Niaga, Bank of Permata, Bank of BTN, Bank of DKI, and Bank of North Sumatra (Sumut)). These banks were chosen because they represent the state-owned bank (Bank of BTN), the regional development banks (Bank of DKI and Bank of North Sumatra), and the private banks (Bank of CIMB Niaga and Bank of Permata). Besides that, we are also using Four full-fledged Islamic banks that resulted from spinoffs. The following banks are Bank of BNI Sharia, Bank of BRI Sharia, Bank of BJB Sharia, and Bank of Bukopin Sharia. We were also using two banks that spinoff before the Islamic Banking Act, such as Bank of Sharia Mandiri and Bank of Mega Sharia.

ARIMA model is employed to exercise the shared asset of Islamic banks and generate the estimated shared asset. Historically, ARIMA was first developed by Box and Jenkins in 1976, and unlike the structural model which composes of some independent variables, ARIMA employs autoregressive (AR), moving average (MA) in an integrated order term. AR(p) is describing dependent variable (Y_t) based on its past (lag) value (of order p) or the same as the dynamic model. AR is also commonly referred to as the one that uses the lag value of the residual of the regression. On other hand, MA (q) is explaining dependent variable (Y_t) based on past values of the error terms (ϵ_t), which are the moving average of previous error terms of order q added into mean values of Y_t . MA is also commonly said as the one that occupies lag value of forecast error to improve current estimate (Ismal, 2011). The process of autoregressive model AR(p) is represented by:

$$y_t = \phi_1 y_{t-1} + \phi_2 y_{t-2} + \dots + \phi_p y_{t-p} + \delta + e_t \quad (1)$$

The process of moving average MA(q) is represented by:

$$y_t = \mu + e_t - \theta_1 e_{t-1} - \theta_2 e_{t-2} - \dots - \theta_q e_{t-q} \quad (2)$$

The process of modeling with ARIMA approach follows four steps, which are namely; first, identification of variables; second, estimation of the model; third, model evaluation; fourth, model forecasting. In the identification step, a series investigated whether it has a seasonal pattern or not; stationary or non-stationary and; the model of the autocorrelation function (ACF) and partial autocorrelation function (PACF). The unit root test is carried out to check stationarity of every variable. The unit root test that used in this paper is Augmented Dickey Fuller (ADF).

Next, the estimation step will find out the most robust estimated model combining AR and MA or both of them. There are at least three patterns commonly found in ARIMA model. First, correlogram test which produces zero value in all periods of auto-correlation function (ACF = 0) namely the white noise ACF function. Second, correlogram test which shows cut off ACF pattern (usually) between the first period of autocorrelation function and the second or third one. Third, correlogram test with a decreasing pattern of ACF from the beginning of the period until the end of the period, namely dying down pattern (Ismal, 2011).

The model evaluation step conducts some diagnostic test to check the accuracy of the estimated model and the actual one such as residual test, the coefficient of variables. Finally, the forecasting step produces future data of every model under two assumptions, which are: (a) linear prediction and; (b) selected model with the most efficient variables (Ismal, 2011).

Besides that, this research also used the descriptive analysis using an in-depth interview with the regulator and bankers. The participants were appointed to represent the regulator is the parties who are involved in drafting legislation. Whereas the bankers consist of the banker who came from the subsidiary Islamic banks and bankers from the parent banks. The descriptive analysis is used to support the practical result of ARIMA. This study also used a simulation to predict the asset growth per year that is achieved by all sample banks to

reach 50% of share asset from their parents. The simulation uses compound growth assumption.

RESULT AND DISCUSSION

The first stage in the ARIMA process is the stationary test using the unit root test. The unit root test uses the Augmented Dickey-Fuller. The first test was carried out at the level if not stationary in a stationary level it will be tested at the level of the first difference. The test results with test ADF at Bank of BNI Sharia, Bank of BRI Sharia, Bank of BJB Sharia, Bank of Bukopin Sharia, Bank of Sharia Mandiri, Bank of Mega Sharia, Bank of CIMB Niaga Sharia, Bank of Permata Sharia, Bank of BTN Sharia, Bank of DKI Sharia, and Bank of North Sumatra Sharia shows that the data being not stationary at the current level. Also, because the data is not stationary at the current level, then stationary was tested at the first difference. The stationary test with the unit root test showed a significant result that it might be said that the data had been stationary at the first difference.

Then, we will see the correlogram. First, we will see the correlogram of the Auto-Correlation (AC) function. We will get the lag for Moving Average (MA) model. Next, we will see the correlogram for the partial auto-correlation (PAC) function. We will get the optimum lag for auto-regressive (AR) model. To get the best model is based on the goodness of fit of the model by using the Akaike Information Criterion (AIC) and Schwarz Criterion (SC). After the goodness of fit of the model is done, next we will use the ARIMA for forecasting according to the purpose of this research.

Table 3. The Lag of AR and MA Process

	Bank	AR	Stationary	MA	ARIMA
1	BNI Sharia (BNIS)	1	First difference	1	(1, 1, 1)
2	BRI Sharia (BRIS)	1	First difference	1	(1, 1, 1)
3	BJB Sharia (BJBS)	1	First difference	1	(1, 1, 1)
4	Bukopin Sharia (BSB)	1	First difference	1	(1, 1, 1)

5	Bank of Sharia Mandiri (BSM)	1	First difference	1	(1, 1, 1)
6	Bank of Mega Sharia (BMS)	1	First difference	1	(1, 1, 1)
7	Bank of CIMB Niaga (CIMB)	2	First difference	1	(2, 1, 1)
8	Bank of Permata (Prmt)	2	First difference	1	(2, 1, 1)
9	Bank of BTN (BTN)	1	First difference	3	(1, 1, 3)
10	Bank of DKI (DKI)	1	First difference	1	(1, 1, 1)
11	Bank of Sumut (Sumut)	1	First difference	1	(1, 1, 1)

The predicted result showed that all of the sample banks couldn't achieve the 50% share asset from their parent's banks, either the Islamic banking unit or Islamic full-fledged banks. The highest forecasting value is an Islamic banking unit of Bank of BTN, and the lowest predicted value is Bank of BRI Sharia. This result implies there are no Islamic banking unit that can't fulfill the spin-off's criteria which Islamic business units had an obligation to spin-off if the asset of the Islamic business unit has reached 50% of the parent bank's assets.

Next, we are going to do the simple simulation using compound growth. Table 5 shows that the banks must have an asset growth approximately 31.73% every year (with 5% assumption of parent's banks) if they are going to achieve the 50% shared asset. Or, they must have 37.65% every year (with the 10% assumption of parent's banks). The highest annual growth target is Bank of BRI Sharia that must have annual growth 45% (with 5% assumption) and 52.1% (with 10% assumption). The lowest annual growth target is Bank of Mega Sharia that must have annual growth 21.5% (with the 5% assumption) and annual growth 27.3% (with 10% assumption). However, this increase target is hard to achieve because, in fact, the common development of the parent's banks is larger than 10% every year.

From the ARIMA and simulation result, we can conclude that the spin-off's criteria are almost impossible to achieve. Both the subsidiary banks (including the spin-off's banks) and the parent's banks are growing every year. If the subsidiary

banks want to meet the 50% share asset target, they must have a growth rate approximately 37% a year. The growth that is too high can lead to the emergence of risk in Islamic banks because one strategy to achieve higher asset growth is by pushing the financial growth. The financial growth that is too high can lead to the increasing of non-performing financing in Islamic banks.

Table 4. Summary of Shared Assets

Bank	Current Year (2014)	Predicted Value (2023)
1 BNI Sharia (BNIS)	4,95%	9.00%
2 BRI Sharia (BRIS)	2,62%	4.00%
3 BJB Sharia (BJBS)	8,68%	11.00%
4 Bukopin Sharia (BSB)	6,89%	7.00%
5 Bank of Sharia Mandiri (BSM)	8,86%	11.00%
6 Bank of Mega Sharia (BMS)	10,56%	12.00%
7 Bank of CIMB Niaga (CIMB)	3,73%	8.00%
8 Bank of Permata (Prmt)	8,66%	10.00%
9 Bank of BTN (BTN)	7,71%	18.00%
10 Bank of DKI (DKI)	9,29%	8.00%
11 Bank of Sumut (Sumut)	7,77%	12.00%

According to the forecasting result of asset shares of the Islamic banks, we can explain several things as follows, such as; first, if there are no condition changes either from the internal or external side so that no Islamic banks can achieve the 50% share asset from its parent's banks. Second, the spin-off's criteria should evaluate, because it can predict that no one of the Islamic business units can achieve the 50% share assets from its parent's banks. Third, the growth of Islamic banks should be larger than the parent's banks growth if the Islamic banks want to achieve the 50% share assets from its parent's banks.

This result also supported by the in-depth interview from the bankers and the policymakers that made the Islamic banks act. From the manager's perspective, the entire respondent said that it's almost impossible the Islamic banking unit can achieve the 50% market share of its parent banks. Besides that, they also stated that the 15 year's criteria could only use for the Islamic banking unit that owned by the state and private

enterprises. It will become a problem for Islamic banking unit that is held by the district government because almost all of the assets of the district government banks is relatively small. From the policymaker perspective, the criteria were drawn up by reasonable assumption only. The 50% market share assets based on the majority reason, if the asset of Islamic banking unit had already achieved the 50% share assets of its parent's bank, they should do the spinoff. But in reality, it's almost impossible for the Islamic banking unit to achieve the 50% share assets of its parent banks.

Table 5. Simulation Result

	Growth Assumption of Islamic Banks	Growth Assumption of Parent's Banks	Estimation of Share Asset
BNIS	36.50%	5.00%	50.69%
	42.80%	10.00%	50.06%
BRIS	45.00%	5.00%	50.53%
	52.10%	10.00%	50.18%
BSB	32.00%	5.00%	50.70%
	38.10%	10.00%	50.09%
BJBS	31.00%	5.00%	51.16%
	37.00%	10.00%	50.37%
BTN	30.00%	5.00%	52.69%
	35.50%	10.00%	50.34%
Permata	28.00%	5.00%	51.47%
	33.70%	10.00%	50.12%
CIMB Niaga	41.00%	5.00%	52.95%
	47.00%	10.00%	50.69%
DKI	27.00%	5.00%	51.47%
	32.70%	10.00%	50.27%
Sumut	30.00%	5.00%	53.08%
	35.30%	10.00%	50.04%
BSM	27.00%	5.00%	51.47%
	32.70%	10.00%	50.27%
BMS	21.50%	5.00%	50.25%
	27.30%	10.00%	50.30%

Average	31.73%	5.00%
	37.65%	10.00%

Acep R Jayaprawira (former Director of Bank of BNI Sharia) and Shidiq Haryono (Branch head of Bank of CIMB Niaga Sharia) said that the share assets Criterion's hard to achieve by the Islamic business unit because either the subsidiary banks or parent's banks are growing every year. Ariawan Amin (the former CEO of Bank of Jabar Banten Sharia) said that the core idea of the spin-off policy is to accelerate the Islamic banking growth, especially the sharia business unit. In fact, the policy maker encourages the spin-off to do despite the internal conditions of Islamic business unit being not yet possible.

Table 6. The Assets and Shared Assets of Islamic Banks

No	Banks	Asset (million US\$)	Share asset (%)
1	BNIS	1,499.39	4.95
2	BRIS	1,564.87	2.62
3	Bukopin Sharia	397.19	6.89
4	BJBS	468.53	8.68
5	Bank of CIMB Niaga	650.95	3.73
6	Bank of Permata	1,232.51	8.66
7	Bank of BTN	857.29	7.71
8	Bank of DKI	260.38	9.29
9	Bank of Sumut	139.71	7.77
10	Bank of Danamon	222.89	1.77
11	Bank of BII	552.24	5.31
12	Bank of OCBC NISP	192.48	2.43
13	Bank of Yogyakarta	28.21	4.69
14	Bank of BPD Jateng	73.89	2.28
15	Bank of BPD Jatim	95.94	3.28
16	Bank of BPD Jambi	14.74	3.31
17	Bank of BPD Aceh	185.31	12.77
18	Bank of Sumbar	94.20	6.80
19	Bank of BPD Riau	77.98	4.43
20	Bank of Sumsel	78.61	6.36
21	Bank of Kalsel	45.23	5.43

22	Bank of Kalbar	92.27	10.69
23	Bank of Kaltim	85.41	3.74
24	Bank of Sulselbar	55.76	7.25
25	Bank of NTB	29.46	6.60
26	Bank of Sinarmas	151.78	9.28

Source: The Banks Publication Report

Assumption: US\$ 1 = IDR 13,000

From the in-depth interview with the bankers of Islamic banks and regulators, it suggested several alternative spin-off criteria, such as: (1) the capital aspect. According to the Islamic Banking Law, the minimum capital of new Islamic banks is one trillion rupiahs, so we can also implement this law, which is that every Islamic business unit that decides to do the spin-off must have a minimum capital of one trillion rupiahs. (2) The minimum asset of Islamic business unit. According to the Subarjo Joyosumarto (the former Deputy Governor of Bank of Indonesia), the lowest asset of Islamic business unit to do the spinoff is 10 trillion rupiahs. (3) The performance of Islamic business unit. (4) The commitment of the parent's banks.

Johnson et al. (1994); Hite and Owers (1984) said one key factor of spinoff process is the size of its parent company. The higher the parent's business assets value, the greater chances for success. If we relate this to the condition of the Indonesian Islamic banking industry, which is almost all the Islamic business units being owned by the regional development banks, that have a small size, it will become a problem if the Islamic business unit decided to do the spinoff. One big problem that they face is the liquidity risk; they will be difficult to find out the funding resources because the parent banks can't help them.

Tubke (2005) and Lindholm-Dahlstrand (2000) had said one factor that determined the successful spin-off is the relationship between the parent company and its subsidiaries. Klepper and Thompson (2010) found that the businesses that have better performance before spin-off would have a better performance after the spin-off. According to this, the sharia business unit must have a better performance before they make a spin-off so that after that they can have a better performance. Thus, the parent banks should support the sharia business unit to have a better performance before they make a spin-off.

The regulator, in this case, is the Financial Service Authority, should focus on the growth and development of the sound Islamic banks and not just a larger number of Islamic banks. The spinoff is not the final objective of Islamic banking growth, but the spinoff is one of the strategies to achieve the higher market share. The spinoff criteria should not just only be based on the shared asset or the time but should base on the size of its Islamic business unit. According to the data, almost the assets of the Islamic business unit is below one trillion rupiahs, if they are forced to do the spinoff in the mid of 2023 years it will impact on their performance. Besides that, the ability of profit creation of the Islamic business unit is still weak. According to the data, only several Islamic business units can have a profit above 100 billion rupiahs. If they are doing the spinoff, the profit will decline significantly, because there will increase in operational cost after the spinoff. The next things that should consider according to these spinoff criteria are most of the Islamic business unit owned by the Regional Development Bank, which has limited capital. It is also pertinent to state it here that if the Islamic business unit is forced to do the spinoff, there will an adverse impact on Islamic business unit if they faced a liquidity problem or another problem because the size of its parents is also small. Haribowo (2017) found that there are no Islamic business units owned by regional development banks can achieve the spin-off criteria.

The spinoff decision should base on the restricted studies. According to Al Arif (2015a), the spinoff decision doesn't have an impact on financing growth. Al Arif (2015b) said that the spinoff decision increases the operational inefficiency in spin-off's banks. Al Arif (2015c) also finds that spinoff decision doesn't have an impact on asset growth. From this research, it was found that the spinoff policy that is forced by the regulator can make the development of the Indonesian Islamic banking to decline. Also, because many of the Islamic business units only have a little asset and capital, if they had to do the spin-off, it could make the size of the Indonesian Islamic banking industry smaller than before.

Spin-off policy is only one of the strategies that can use to accelerate the growth of the Islamic banking industry. Besides that, merger can also as another strategies to industrial acceleration (Miftah and Wibowo, 2017). The horizontal

mergers led to increased market power (Prager and Hannan, 1998). Mergers and acquisitions had been an important strategy for the Greek banking sector (Antoniadis et.al, 2014).

CONCLUSION

The forecasting result shows that there are no Islamic banks, either full-fledged Islamic banks nor Islamic business unit can reach the 50% asset of its conventional parent banks after 15 years the Law No. 21 of 2008 applied. From this result, it can say that the spinoffs criteria of the Indonesian Islamic banking industry must revise. The regulator such as the Financial Service Authority (OJK) must make a strong standard for the Islamic business unit spin-offs into full-fledged Islamic banks, such as the nominal asset, profit, and financial ratio of the Islamic business unit. The parent bank must prepare the spinoff process of the Islamic business unit carefully. The spinoff policy is just a policy to achieve a larger market share of Islamic banking industry and not the final objective of Islamic banking industry development.

A spin-off of the Islamic banking sector in Indonesia can be a role model for Islamic bank's spin-off for other countries. Also, the spin-off of the Islamic banking industry in Indonesia can be one reference to the spin-off of the banking sector in other nations. A strict standard to be the primary reference in the spin-off process of Islamic banks.

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