



Financial Performance and Health Analysis of Islamic Banking Pre-Mega Merger

Sufyati H.S¹, Tati Handayani², Sofia Maulida³, and Melati⁴

Abstract

The Islamic banking industry has transformed into an industry with prospects that can surpass conventional banking. This study analyzes the effect of the financial performance and soundness of Bank Syariah Indonesia before the mega-merger on profitability. The research uses bank health indicators, including Adequacy Ratio (CAR), Non-Performing Financing (NPF), Financing to Deposit Ratio (FDR), Operational Efficiency Ratio (OER), Net Operating Margin (NOM), and Return on Assets (ROA). The research method uses multiple linear regression. The results showed that CAR, NPF, and NOM did not affect ROA. However, FDR and OER affect ROA. Indonesian Islamic banks need to pay attention to the feasibility aspect of financing to avoid non-performing financing. Islamic banks use FDR and OER to increase their profitability because the conditions experienced by Bank Syariah Indonesia as the leading Islamic bank in Indonesia after the mega-merger, are considered capable of simultaneously representing.

Keywords: *Capital Adequacy Ratio; Non-Performing Financing; Financing to Deposit Ratio; Operational Efficiency Ratio; and Mega-Merger.*

INTRODUCTION

Banking is an essential part of a country's economy that acts as an intermediary financial institution. In Indonesia, the banking industry entered a new stage of development in 1991 when Bank Muamalat was established as the

¹Universitas Pembangunan Nasional Veteran Jakarta, Indonesia

²Universitas Pembangunan Nasional Veteran Jakarta, Indonesia

³STIE Bisnis Indonesia Jakarta, Indonesia

⁴Universitas Nasional Jakarta, Indonesia

Email: sufyati@upnvj.ac.id



first Islamic bank to spearhead the emergence of the Islamic banking industry in the country (Choiruzzada & Nugroho, 2013). In recent years, the Islamic banking industry in Indonesia has continued to show a positive growth trend that has even begun to outpace conventional banking growth.

The Islamic banking industry in Indonesia has now transformed into an industry with prospects that can surpass the conventional banking industry. Based on the release of OJK (Financial Services Authority of the Republic of Indonesia) data as of November 2020, Islamic commercial banks have experienced asset growth of 52,44% since 2016, with an average growth per book category of 64,49%. While conventional commercial banks only managed to record asset growth of 33,82% during the same period with an average growth per book category of 3,61%. With a high level of resistance to the crisis, Islamic banking experienced an even higher growth during the COVID-19 pandemic, up to 10% year on year per OJK data in July 2020, compared to conventional banking, which only booked growth of 5,5% on an annual basis.

Besides the above expectations, three leading state-owned Islamic banks in Indonesia, Bank Syariah Mandiri, BNI Syariah, and BRI Syariah, have officially executed the mega-merger on February 1, 2021 Bank Syariah Indonesia (Bank Syariah Indonesia, 2021). Mega-mergers of Islamic banks can create sharia entities of a larger economic scale and efficiency, increase demand for sharia-based financial products, access opportunities to the global Sukuk market, and enhance the development of the Islamic banking industry (Bitar et al., 2019; Boateng et al., 2014). The data confirms that it can increase the competitiveness of the Islamic banking industry compared to the conventional banking industry and the Islamic banking industry in other countries (Bitar et al., 2019; Meslier et al., 2017; Salman & Nawaz, 2018).

Therefore, to determine the profitability after implementing the mega-merger, it is necessary to conduct research that analyzes the profitability before the mega-merger. This study's profitability ratio is proxied through Return on Assets (ROA), which measures the company's effectiveness in generating profits by utilizing its assets (Bank Syariah Indonesia, 2021). The greater the ROA owned by a company, the more efficient the company's asset management, so the higher the level of profit generated from the management of the assets concerned.



The ROA of the three Islamic banks merged as Bank Syariah Indonesia tended to fluctuate before the mega-merger, with positive trends in Bank Syariah Mandiri and BNI Syariah and a negative trend in BRI Syariah (Bank Syariah Indonesia, 2021). These results explain that the ability of the three Islamic banks is still fluctuating in managing their assets to generate profits. Therefore, it is necessary to analyze further the factors that can affect the profitability of the three Islamic banks. As in other companies, financial health is one of the factors that can affect Islamic banks' profitability. In this case, the health ratios to be analyzed include the Capital Adequacy Ratio (CAR), Non-Performing Financing (NPF), Financing to Deposit Ratio (FDR), Operational Efficiency Ratio (OER), and Net Operating Margin (NOM).

CAR is proven to positively and significantly affect the ROA of Islamic banks (Nasuha, 2016; Yusuf & Surjaatmadja, 2018). CAR reflects the level of bank capital adequacy and the ability to provide funds to overcome the risk of loss. Hence, a high CAR indicates that the bank has a high ability to overcome the possible risk of loss. As a result, the level of public trust in the bank is also high so that it can attract more customers and ultimately increase its profit. Even several studies prove that CAR cannot significantly affect the ROA of Islamic banks (Ismaulina & Zulfadhli, 2016; Said & Ali, 2016). CAR can negatively and significantly affect the ROA of Islamic banks instead (Kinanti & Purwohandoko, 2017).

Another health ratio that can affect ROA is NPF. The smaller the NPF, the smaller the financing risk borne by the bank because the lower the number of non-performing loans it faces. Therefore, a bank with a high NPF can be considered less professional in managing its financing because the level of risk in the provision of financing is also relatively high. These results will harm the company's profitability because NPF has a negative and significant effect on ROA (Tho'in, 2019). However, the research results of Kinanti and Purwohandoko (2017) prove that NPF has a significant positive effect on the CAR of Islamic banks. Kusumastuti and Alam (2019) and Sitompul and Nasution (2019) found that NPF did not significantly affect the ROA of Islamic banks.

Based on the research results conducted by Yusuf and Surjaatmadja (2018), the ROA of Islamic banks can also be positively and significantly affected by FDR. FDR showed the bank's ability to repay depositor withdrawals by relying on the

disbursed financing as a liquidity source. The higher the FDR, the higher the funds disbursed by the bank to third parties so that profitability will increase. However, Lukman et al. (2022) and Widyakto and Wahyudi (2021) found that FDR had a significantly negative impact on ROA. Ismaulina and Zulfadhli (2016) and Said and Ali (2016) even found that FDR could not significantly affect the ROA of Islamic banks.

Another health ratio that affects ROA is the OER ratio which measures management's ability to control operational costs on operating income. The higher the OER ratio of a bank, the lower its operating efficiency, so the lower the bank's profitability because any increase in operating costs will impact a decrease in profit. The results of the research are in line with the findings of Ismaulina and Zulfadhli (2016), Sitompul and Nasution (2019), and Yusuf and Surjaatmadja (2018) which prove that OER can negatively and significantly affect the ROA of Islamic banks. Harfiah et al. (2016) show that OER can have a positive and significant effect on profit sharing for mudharabah deposits, while profit sharing for mudharabah deposits itself is proven to be positively and significantly affected by ROA based on the results of the same study. NOM can also positively and significantly affect ROA (Gunawan et al., 2019). NOM is meant here as a ratio used to measure the ability of bank management to manage its productive assets to generate operating income. In contrast, Bawono and Falakh (2018) and Said and Ali (2016) show that NOM cannot significantly affect the ROA of Islamic banks.

This research focuses on three Islamic banks that will undergo a mega-merger as Bank Syariah Indonesia in 2021, namely Bank Syariah Mandiri, BNI Syariah, and BRI Syariah. The use of data before the mega-merger aims to study the description of financial performance before the mega-merger and to find tools to increase profitability by controlling the level of financial soundness. The research gap from previous studies shows the need for actual research to analyze the effect of CAR, NPF, FDR, OER, and NOM on the ROA of Islamic banks. The results of this study can contribute to strategies for Islamic banks to continue to increase their profitability by studying the factors that influence them.



LITERATUR REVIEW

CAR reflects the company's equity capital. Therefore, the more excellent the CAR, the greater the opportunity for banks to generate profits due to significant capital. The management becomes free to place their funds in profitable investment activities. CAR also shows the ability of the bank to provide funds to overcome the possible risk of loss, so a high CAR will reflect that the bank has a high ability to overcome the possible risk of loss and protect its customers' funds. As a result, the level of public trust in the bank is also high to attract more customers and ultimately increase its profit (Risalah et al., 2018; Yusuf & Surjaatmadja, 2018).

A high NPF ratio indicates the poor credit quality due to the high number of non-performing loans it faces. NPF also reflects the high financing risk borne by the bank. Conversely, a low NPF ratio reflects its high credit quality due to the low number of non-performing loans it faces, so bank profitability will also be high (Tho'in, 2019). In the end, the bank's profitability will be negatively affected.

Yusuf and Surjaatmadja (2018) found that the ROA of Islamic banks can be positively and significantly affected by FDR. FDR showed the bank's ability to repay the withdrawal of deposits made by depositors by relying on the disbursed financing as a liquidity source. The higher the FDR, the higher the funds disbursed by the bank to the third parties, so the profitability is also higher. On the other hand, the lower the FDR, the lower the funds disbursed by the bank to the third parties, so the profitability will also be lower.

Profitability can also be affected by operating efficiency, which in this case is represented by OER. The higher the OER ratio of a bank, the lower its operating efficiency, so the lower the bank's profitability because any increase in operating costs will impact a decrease in profit. On the other hand, the lower the OER ratio of a bank, the higher its operating efficiency, so the higher its profitability because any decrease in operating costs will impact increasing profits. These results are in line with the findings of Ismaulina and Zulfadhli (2016), Sitompul and Nasution (2019), and Yusuf and Surjaatmadja (2018), which prove that OER can negatively and significantly affect the ROA of Islamic banks.

Gunawan et al. (2019) research results show that ROA can also be positively and significantly affected by NOM. NOM is meant here as a ratio used to measure the ability of bank management to manage its productive assets to generate



operating income. The higher the NOM of a bank, the higher its ability to manage productive assets to generate operating income, so the higher the ROA will be. On the other hand, the lower the NOM of a bank, the lower its ability to manage productive assets to generate operating income, so its ROA will also be lower. The research hypothesis is as follows:

H₁: CAR positively and significantly affects the ROA

H₂: NPF has a negative and significant effect on the ROA

H₃: FDR has a positive and significant effect on the ROA

H₄: OER has a negative and significant effect on the ROA

H₅: NOM has a positive and significant effect on the ROA

RESEARCH METHOD

This study uses a saturated population sample of three Islamic banks that will undergo a mega-merger in 2021 as Bank Syariah Indonesia, that are Bank Syariah Mandiri, BNI Syariah, and BRI Syariah, in five consecutive year periods with annual data from 2016 to 2020 and e-views software. Saturated samples are taken by including all members of the population as part of the research sample so that it has a relatively small error for a small population.

The data used is derived from secondary sources, namely from the financial statements of the companies concerned in the observed period obtained from the official websites of each of these companies. The data in question was collected using the observation method from document review, which was then systematically documented from the company's official website.

Table 1.
Operational Definition and Measurement of Variables

No	Variable	Operational Definition	Measurement
1.	ROA	The ratio between net income and total assets.	$\frac{\text{Net income}}{\text{totals assets}}$
2.	CAR	The ratio between equity and risk-weighted assets.	$\frac{\text{Owner's equity}}{\text{risk - weighted assets}}$



No	Variable	Operational Definition	Measurement
3.	NPF	The ratio between non-performing loans and disbursed loans.	$\frac{\text{Non – performing loans}}{\text{disbursed loans.}}$
4.	FOR	The ratio between the amount of financing disbursed and the total deposit.	$\frac{\text{Disbursed financing}}{\text{Total deposit}}$
5.	OER	The ratio between operating costs and operating income.	$\frac{\text{Operating costs}}{\text{Operating income.}}$
6.	NOM	The ratio between operating income and average earning assets.	$\frac{\text{Operating income}}{\text{Average earning assets}}$

This research uses multiple linear regression to analyze the effect of CAR, NPF, FDR, OER, and NOM on ROA before the mega-merger. This study uses descriptive and inferential statistical analysis methods. The descriptive statistical analysis here provides an overview of the data from the aspect of the average value (mean), standard deviation, maximum, and minimum. The equation model used in this study is as follows.

$$ROA = a + b_1CAR + b_2NPF + b_3FDR + b_4OER + b_5NOM + e$$

Where:

- a = Constant
- b₁ = Regression coefficient of CAR
- b₂ = Regression coefficient of NPF
- b₃ = Regression coefficient of FDR
- b₄ = Regression coefficient of OER
- b₅ = Regression coefficient of NOM
- e = Standard error

Before being tested with the regression model, the data and research model was the first test for their fulfillment of classical assumptions using normality, multicollinearity, heteroscedasticity, and autocorrelation (Firdaus, 2006).

RESULT AND DISCUSSION

Descriptive Statistics

Descriptive statistics describe or provide an overview of the object under study through sample or population data. Based on Table 2, before the mega-merger, there was an average ROA value of 0.98; CAR of 18.2333; NPF of 2.6793; FDR of 79.6893; OER of 90.7153; and NOM of 4.4287. The standard deviation values of ROA, CAR, NPF, FDR, OER, and NOM are 0.49528; 4.57742; 1.3295; 4.9127; 4.90124; and 2.67298 respectively.

Table 2.
Descriptive Statistics Test Results

Variable	Minimum	Maximum	Mean		Standard Deviation
			Statistic	Std. Error	
CAR	12.85	29.73	18.2333	1.18188	4.57742
NPF	1.00	4.97	2.6793	0.34327	1.32950
FOR	71.87	91.94	79.6893	1.26845	4.91270
OER	81.26	96.80	90.7153	1.26549	4.90124
NOM	0.67	7.35	4.4287	0.69016	2.67298
ROA	0.31	1.82	0.98	0.12788	0.49528

Ideally, the higher the ROA, the better the assumption of the company's performance in terms of equity management. However, there is no specific standard for finding a good ROA value. The higher the CAR, the better the banking system will be because the bank will have a greater capacity to minimize risk and, at the same time, be better able to expand. NPF is in an excellent average position. The FDR is getting better if the ratio is higher, so the bank's ability is improving. The average FDR is still not good because it is below 80 percent.

Classical Assumption Test Results

The normality test uses the One-Sample Kolmogorov Smirnov Test. The result shows the Asymp. Sig. (2-tailed) value of 0.2, more significant than 0.05, so



the data is normally distributed. Meanwhile, the results of the multicollinearity test show that CAR, NPF, FDR, OER, and NOM have tolerance values of 0.62; 0.244; 0.456; 0.179; and 0.352 and the VIF of 1.612; 4.097; 2.195; 5.601; and 2.839. Each independent variable has a tolerance value greater than 0,1 and a VIF value smaller than 10, and the regression model lacks multicollinearity.

Table 3.
Classical Assumption Test Results

Test	Guide	Value	Results
Normality	One-Sample Smirnov Test	Kolmogorov	0.2 Pass
Multicollinearity	Variance Inflation Factor	CAR	1.612 Pass
		NPF	4.097 Pass
		FDR	2.195 Pass
		OER	5.601 Pass
		NOM	2.839 Pass
Heteroscedasticity	Breusch Pagan Godfrey	0.0664	Pass
Autocorrelation	Durbin-Watson	1.659	Pass

The regression model of this study also proved to be no heteroscedasticity because the results of the heteroscedasticity test using a Breusch Pagan Godfrey showed greater than 0.05 (>0.05). Meanwhile, the autocorrelation test produces a DW value of 1.659, between -2 and 2. Therefore, the regression model is no autocorrelation.

Regression Test Results

Based on Table 4, the regression model in this study with the following equation.

$$ROA = 0.0859 - 0.003CAR + 0.01NPF + 0.018 FDR - 0.099 OER - 0.005NOM$$

The constant of 0.0859 indicates that if the CAR, NPF, FDR, OER, and NOM values are zero, the ROA value is 0.0859. The regression coefficient for the CAR variable is -0.003, indicating that every time the CAR has an increase of 1%, the ROA will decrease by 0.003% (*ceteris paribus*). On the other hand, a 1% decrease in CAR will increase ROA by 0.003% (*ceteris paribus*). The regression coefficient for the NPF variable is 0.01, indicating that every time NPF has an increase of 1%, the ROA will also increase by 0.01% (*ceteris paribus*). On the other hand, a 1% decrease in NPF will lead to a 0,010% decrease in ROA (*ceteris paribus*).

Table 4.
Multiple Linear Regression Test Results

Description	Coefficient	Standard Error
Constant	0.0859	0.646
CAR	-0.003	0.005
NPF	0.01	0.03
FDR	0.018	0.006
OER	-0.099	0.01
NOM	-0.005	0.012

The FDR variable regression coefficient of 0.018 indicates that every time FDR has an increase of 1%, ROA will also increase by 0.018% (*ceteris paribus*). On the other hand, a 1% decrease in FDR will result in a 0.018% decrease in ROA (*ceteris paribus*). OER variable regression coefficient of -0.099 indicates that every time OER increases by 1%, ROA will decrease by 0.099% (*ceteris paribus*). On the other hand, a 1% decrease in OER will increase ROA by 0.099% (*ceteris paribus*). The regression coefficient for the NOM variable is -0.005, indicating that every time NOM increases by 1%, the ROA will decrease by 0.005% (*ceteris paribus*). Conversely, a 1% decrease in NOM will increase ROA by 0.005% (*ceteris paribus*).

Model Feasibility Test Results

The results of the model feasibility test are in Table 5. Based on Table 5, the F-statistic is 124,344 with a p-value of 0.000. Because the p-value is smaller than



0.05, CAR, NPF, FDR, OER, and NOM significantly affect the ROA. The adjusted R2 value of 0.978, CAR, NPF, FDR, OER, and NOM can explain 97.8% of the variation in ROA, while other variables outside the model explain the remaining 2.2%.

Table 5.
Model Feasibility Test Results

F	P-Value	R	R ²	Adjusted R ²
124.344	0.000	0.993	0.986	0.978

Discussion

CAR cannot significantly affect the ROA. Table 6 shows the results of the hypothesis test. The CAR variable has a t-statistic value of -0.494 and a p-value of 0.633, more excellent than 0.05, so H₀ is accepted. The NPF variable has a t-statistic value of 0.332 and a p-value of 0.748, more than 0.05, so H₀ is accepted. NPF cannot significantly affect ROA.

Table 6.
Hypothesis Test Results

Variable	t	P-Value	Evidence
CAR	-0.494	0.633	No significant
NPF	0.332	0.748	No significant
FDR	3.017	0.015	Positive and significant*
OER	-10.408	0.000	Negative and significant*
NOM	-0.385	0.709	No significant

*significant at 5%

FDR is proven to be able to positively and significantly affect the ROA. The FDR variable has a t-statistic value of 3,017 and a p-value of 0.015, less than 0.05, so H₀ is rejected, and H₃ is accepted. The OER variable has a t-statistic value of -10.408 and a p-value of 0.000, more minor than 0.05, so H₀ is rejected, and H₄ is accepted.

OER is proven to negatively and significantly affect the ROA. The NOM variable has a t-statistic value of -0.385 and a p-value of 0.709, which is more significant than 0.05, so H_0 is accepted. NOM cannot significantly affect ROA.

The Influence of CAR on ROA

This study proves that CAR has no significant effect on ROA. The results of the research are not in line with the findings of Risalah et al. (2018) and Yusuf and Surjaatmadja, (2018), which show that CAR can significantly affect the ROA of Islamic banks from a positive perspective, and the findings of Kinanti and Purwohandoko (2017) which are significant from a negative perspective. However, this study's results align with the results of research conducted by Ismaulina and Zulfadhli (2016) and Said and Ali (2016), which also prove that CAR has no significant effect on the ROA of Islamic banks.

The no significant effect of CAR on the ROA of Islamic banks shows CAR itself is not a vital factor in increasing profitability and public trust to become customers in an Islamic bank. Capital adequacy not accompanied by excellent and effective capital management capabilities tends not to impact bank profitability significantly (Lukman et al., 2022). This inability to manage capital can even increase the possibility of risks faced by banks, causing the level of public confidence in the ability of banks to protect their customers' funds to be relatively unstable (Rizvi & Arshad, 2016; Wasiaturrahma, Sukmana, et al., 2020). In conditions where banks are issued to be undergoing a mega-merger, the element of uncertainty will also increase, making it difficult for CAR to affect ROA significantly. This finding also provides an overview that the COVID-19 pandemic may become an additional uncertainty factor that can further weaken the significance of the influence of CAR on the ROA of Bank Syariah Indonesia after the mega-merger during the pandemic.

CAR cannot affect ROA because the public can trust the fulfillment of the minimum CAR limit by the bank only as a fulfillment of banking prerequisites regulated by the government, so it cannot automatically create the effect of trust and security for them (Fiordelisi et al., 2011; Tatiana et al., 2015). Said and Ali (2016) suggest that an increase in CAR must coincide with an increase in productive assets, not non-productive assets or non-performing loans. The aim is



to avoid negative impacts on the banking sector because non-optimal cash flows can lead to poor bank profitability.

The Influence of NPF on ROA

This study proves that NPF cannot significantly affect ROA. Wheres is not in line with the findings of Tho'in and Anik (2017), which show that NPF can significantly affect the ROA of Islamic banks from a negative perspective, and the findings of Kinanti and Purwohandoko (2017), which are significant from a positive perspective. However, this study's results align with the results of research conducted by Kusumastuti and Alam (2019) and Sitompul and Nasution (2019), which also proves that there is no significant effect of NPF on the ROA of Islamic banks.

The no significant effect of NPF on the ROA of Islamic banks shows NPF is not a vital factor in increasing profitability in an Islamic bank. The risk of non-performing loans reflected by the NPF is only one of many other risks banks face. Before the mega-merger period, NPF was always below the maximum NPF limit set by the government. Therefore, the public generally trusts the government's assessment of the bank's capability regarding NPF fluctuations that do not exceed the maximum limit so that it does not pose a risk that harms customer funds so that public confidence will increase (Hamid, 2015; Mubarok et al., 2020; Wasiaturrahma, Ajija, et al., 2020).

The decrease in NPF may not necessarily increase bank profitability if not supported by other relevant capabilities, such as the bank's ability to operate efficiently. In conditions where banks are issued to be undergoing a mega-merger, the element of uncertainty will also increase, making it difficult for NPF to affect ROA. This finding also provides an overview that the COVID-19 pandemic may become an additional uncertainty factor that can further weaken the significance of the NPF influence on the ROA of Bank Syariah Indonesia after the mega-merger pandemic.

The Influence of FDR on ROA

This study proves that FDR significantly positively affects the ROA. Risalah et al. (2018) show that FDR can negatively and significantly affect the ROA of

Islamic banks, and the findings of Ismaulina and Zulfadhli (2016) and Said and Ali (2016), which even show that FDR cannot significantly affect the ROA of Islamic banks. However, this study's results align with the results of research conducted by Yusuf and Surjaatmadja (2018), which also proves that FDR has a positive and significant effect on the ROA of Islamic banks.

The significant positive effect of FDR on the ROA of Islamic banks arises because FDR shows banks' ability to repay withdrawals made by depositors by relying on the financing disbursed as a source of liquidity (Dagher & Kazimov, 2015; Zulkhibri, 2018). Thus, the higher the FDR, the higher the distribution of funds to third parties, so that profitability increases. Likewise, the lower the FDR, the lower the distribution of funds to third parties, so the lower the profitability.

The Influence of OER on ROA

Harfiah et al. (2016) show that OER can have a positive and significant effect on the profit-sharing of mudharabah deposits, while the profit-sharing of mudharabah deposits itself is proven to be positively and significantly affected by ROA based on the results of the same study. This study proves that OER significantly negatively affects the ROA. However, the results of this study are in line with the results of research conducted by Ismaulina and Zulfadhli (2016), Sitompul and Nasution (2019), and Yusuf and Surjaatmadja (2018), which also proves that there is a negative and significant effect of OER on ROA of Islamic banks.

This significant negative effect given by OER on ROA of Islamic banks arises because profitability can also be affected by operating efficiency, which in this case is represented by OER. Thus, the higher the OER ratio of a bank, the lower its operating efficiency, so the lower the bank's profitability because any increase in operating costs will impact a decrease in profit (Harfiah et al., 2016). On the other hand, the lower the OER ratio of a bank, the higher its operating efficiency, so the higher its profitability because any decrease in operating costs will impact increasing profits.

The Influence of NOM on ROA

Gunawan et al. (2019) show that NOM can positively and significantly affect the ROA of Islamic banks. This study proves that NOM does not significantly



affect ROA. However, this study's results align with the results of research conducted by Bawono and Falakh (2019) and Said and Ali (2016), which also proves that there is no significant influence of NOM on the ROA of Islamic banks.

The no significant effect of NOM on the ROA of Islamic banks shows that NOM is not a vital factor in increasing profitability in an Islamic bank. According to Said and Ali (2016), the distribution of financing to customers is often not followed by effective management of productive assets by banks, so the increase in NOM often does not significantly impact bank profitability. In terms of profitability, a high NOM will not directly increase public interest in becoming bank customers because the public will also consider the risk factors faced by the banks that could potentially affect the bank's ability to protect its customer funds (Albulescu, 2015; Yanikkaya et al., 2018).

In a condition where a bank will conduct a mega-merger, the element of uncertainty will also increase, so NOM is challenging to affect ROA significantly. This finding also provides an overview that the COVID-19 pandemic may become an additional uncertainty factor that can further weaken the significance of NOM influence on the ROA of Bank Syariah Indonesia after the mega-merger during the pandemic.

CONCLUSION

Based on the results of this study, indicators CAR, NPF, and NOM partially have no significant effect on the ROA. However, FDR proved to have a positive and significant effect on the ROA. In contrast, OER proved to have a negative and significant effect on the ROA.

To increase FDR by increasing the amount of financing disbursed, banks must always pay attention to the feasibility aspect of financing to avoid problematic financing in the future. Islamic Bank can increase FDR and decrease OER to increase its profitability. Other Islamic banks can use FDR and OER to increase their profitability because of the conditions experienced by the three Islamic banks in Indonesia before the mega-merger was able to represent simultaneously with the conditions of other Islamic banks.

REFERENCES

- Albulescu, C. T. (2015). Banks' Profitability and Financial Soundness Indicators: A Macro-level Investigation in Emerging Countries. *Procedia Economics and Finance*, 23, 203–209. [https://doi.org/10.1016/s2212-5671\(15\)00551-1](https://doi.org/10.1016/s2212-5671(15)00551-1)
- Bawono, A., & Falakh, F. (2018). An Analysis of Financial Ratio Effect with Liquidity and Profitability as Intervening on Sharia Banking Performance in Indonesia for the Years 2015-2018. *Human Falah: Jurnal EKonomi Dan Bisnis Islam*, 6(2), 264–280.
- Bitar, M., Pukthuanthong, K., & Walker, T. (2019). Efficiency in Islamic vs. Conventional Banking: The Role of Capital and Liquidity. *Global Finance Journal*, 1–40. <https://doi.org/10.1016/j.gfj.2019.100487>
- Boateng, A., Hua, X., Uddin, M., & Du, M. (2014). Home Country Macroeconomic factors on outward Cross-Border Mergers and Acquisitions: Evidence from the UK. *Research in International Business and Finance*, 30(1), 202–216. <https://doi.org/10.1016/j.ribaf.2013.08.001>
- Buchory, H. A. (2015). *Capital, Operational Efficiency, And Credit Risk In The Banking Intermediation*. 180–188. <https://doi.org/10.2991/iceb-15.2015.27>
- Choiruzzada, S. A. B., & Nugroho, B. E. (2013). Indonesia's Islamic economy project and the Islamic scholars. *Procedia Environmental Sciences*, 17, 957–966. <https://doi.org/10.1016/j.proenv.2013.02.114>
- Dagher, J., & Kazimov, K. (2015). Banks' Liability Structure and Mortgage Lending During the Financial Crisis. *Journal of Financial Economics*, 116(3), 565–582. <https://doi.org/10.1016/j.jfineco.2015.02.001>
- Fiordelisi, F., Marques-Ibanez, D., & Molyneux, P. (2011). Efficiency and Risk in European Banking. *Journal of Banking and Finance*, 35(5), 1315–1326. <https://doi.org/10.1016/j.jbankfin.2010.10.005>
- Firdaus, M. (2006). *Analisis Deret Waktu Satu Ragam*. IPB Press.
- Gunawan, D., Siregar, S., & Harahap, I. (2019). The Effect Of CAR, NOM, Profit-Loss Sharing Financing And Liquidity On Profitability In Islamic Commercial Banks And Islamic Business Units In Indonesia. *Proceeding International Seminar on Islamic Studies*, 1(1), 490–497.
- Hamid, A. (2015). The Impact of Spin-Off Policy To The Profitability On Indonesian Islamic Banking Industry. *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah*, 7(1), 117–126. <https://doi.org/10.15408/aiq.v7i1.1363>



- Harfiah, L. M., Purwati, A. S., & Ulfah, P. (2016). The Impact of ROA, OER, and FDR to Indonesian Islamic Bank's Mudharabah Deposit Profit Sharing. *Etikonomi*, 15(1), 19–30. <https://doi.org/10.15408/etk.v15i1.3109>
- Ismaulina, & Zulfadhli. (2016). Effect of Capital Adequacy, Liquidity, and Operational Efficiency to Profitability in Bank Syariah Mandiri: Period 2008-2015. *Jurnal Ilmiah Syariah*, 15(1), 43–54.
- Kinanti, R. A., & Purwohandoko. (2017). Influence of Third-Party Funds, CAR, NPF and FDR towards the Return on Assets of Islamic Banks in Indonesia. *Jurnal Ilmiah Bidang Akuntansi Dan Manajemen*, 14(2), 135–143.
- Kusumastuti, W. I., & Alam, A. (2019). Analysis of Impact of CAR, OER, NPF on Profitability of Islamic Banks 2015-2017. *Journal of Islamic Economic Laws*, 2(1), 30–59.
- Lukman, Sujianto, A. E., Sugiartono, E., Andini, D. P., & Budiono. (2022). Financial Performance of Islamic Commercial Banks in Indonesia. *Saudi Journal of Economics and Finance*, 6(4), 147–153. <https://doi.org/10.36348/sjef.2022.v06i04.005>
- Meslier, C., Risfandy, T., & Tarazi, A. (2017). Dual market competition and deposit rate setting in Islamic and conventional banks. *Economic Modelling*, 63, 318–333. <https://doi.org/10.1016/j.econmod.2017.02.013>
- Mubarok, F., Hamid, A., & Al Arif, M. N. R. (2020). Predicting Volatility of Non-Performing Financing : Lessons from Indonesian Islamic Banking Industry. *Muqtasid: Journal of Islamic Economics and Banking*, 11(1), 1–13.
- Nasuha, A. (2016). Dampak Kebijakan Spin-off Terhadap Kinerja Bank Syariah. *Al-Iqtishad: Journal of Islamic Economics*, 4(2), 241–258. <https://doi.org/10.15408/aiq.v4i2.2534>
- Risalah, S., Anshori, M. Y., & Primasari, N. S. (2018). The Impact of CAR, OER, NPF, FDR, DPK, and Profit-Sharing on ROA of Sharia Banks Listed in Bank Indonesia: Study at Sharia Commercial Banks. *International Conference on Technopreneurship and Education*, 240–245.
- Rizvi, S. A., & Arshad, S. (2016). How Does Crisis Affect Efficiency? An Empirical Study of East Asian Markets. *Borsa Istanbul Review*, 16(1), 1–8. <https://doi.org/10.1016/j.bir.2015.12.003>
- Said, M., & Ali, H. (2016). An Analysis on the Factors Affecting Profitability Level of Sharia Banking in Indonesia. *Banks and Bank Systems*, 11(3), 28–36. [https://doi.org/10.21511/bbs.11\(3\).2016.03](https://doi.org/10.21511/bbs.11(3).2016.03)

- Salman, A., & Nawaz, H. (2018). Islamic Financial System and Conventional Banking: A Comparison. *Arab Economic and Business Journal*, 13(2), 155–167. <https://doi.org/10.1016/j.aebj.2018.09.003>
- Sitompul, S., & Nasution, S. K. (2019). The Effect of CAR, BOPO, NPF, and FDR on Profitability of Sharia Commercial Banks in Indonesia. *Budapest International Research and Critics Institute-Journal*, 2(3), 234–238.
- Tatiana, N., Igor, K., & Liliya, S. (2015). Principles and Instruments of Islamic Financial Institutions. *Procedia Economics and Finance*, 24, 479–484. [https://doi.org/10.1016/s2212-5671\(15\)00613-9](https://doi.org/10.1016/s2212-5671(15)00613-9)
- Tho'in, M. (2019). Profitability of Islamic Commercial Banks In Indonesia. *Iqtishadia: Jurnal Ekonomi & Perbankan Syariah*, 6(2), 89–99.
- Tho'in, M., & Anik, A. (2017). Aspek-Aspek Syariah Dalam Asuransi Syariah. *Jurnal Ilmiah Ekonomi Islam*, 1(1), 1–15. <https://doi.org/10.29040/jiei.v1i01.28>
- Wasiaturrahma, Ajija, S. R., Sukmana, R., Sari, T. N., & Hudaifah, A. (2020). The breadth and Depth Outreach of Islamic Cooperatives: Do Size, Non-performing finance, and Grant matter? *Heliyon*, 6(7), e04472. <https://doi.org/10.1016/j.heliyon.2020.e04472>
- Wasiaturrahma, Sukmana, R., Ajija, S. R., Salama, S. C. U., & Hudaifah, A. (2020). Financial Performance of Rural Banks in Indonesia: A two-stage DEA approach. *Heliyon*, 6(7), e04390. <https://doi.org/10.1016/j.heliyon.2020.e04390>
- Widyakto, A., & Wahyudi, S. (2021). Analysis of Factors Affecting Profitability of Sharia Commercial Banks: Evidence from Indonesia. *Diponegoro International Journal of Business*, 4(2), 95–104.
- Yanikkaya, H., Gümüş, N., & Pabuçcu, Y. U. (2018). How Profitability Differs Between Conventional and Islamic Banks: A Dynamic Panel Data Approach. *Pacific-Basin Finance Journal*, 48, 99–111. <https://doi.org/10.1016/j.pacfin.2018.01.006>
- Yusuf, M., & Surjaatmadja, S. (2018). Analysis of Financial Performance on Profitability with Non-Performance Financing as Variable Moderation (Study at Sharia Commercial Bank in Indonesia Period 2012-2016). *International Journal of Economics and Financial Issues*, 8(4), 126–132.
- Zulkhibri, M. (2018). The Impact of Monetary Policy on Islamic Bank Financing: bank-Level Evidence from Malaysia. *Journal of Economics, Finance and Administrative Science*, 23(46), 306–322. <https://doi.org/10.1108/JEFAS-01-2018-0011>

