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THE FINANCIAL PERFORMANCE BEFORE AND AFTER MERGERS AND ACQUISITIONS OF STATE-OWNED ISLAMIC BANKS IN INDONESIA

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ABSTRACT

This study aims to explore which variables have the most significant influence on Return on Assets (ROA) and differences in financial performance after Mergers and Acquisitions (M&A) of Sharia banks in Indonesia. By using purposive sampling and panel data analysis, this study uses three samples, namely PT Bank Rakyat Indonesia Syariah (BRIS), PT Bank Negara Indonesia Syariah (BNIS) an d PT Bank Syariah Mandiri (BSM). 77 secondary data have been collected from the financial statements between periods 2015Q1-2020Q4 for the timeline before the M&A and 2021Q1-2021Q2 for the timeline after. This study uses several analytical methods, namely Mann-Whitney Test, classical assumptions, multiple linear regression, and hypothesis testing. Based on research conducted prior to the M&A, the results show that the Capital Adequacy Ratio (CAR) and Operating Expense to Operating Income (OEOI) have a significant effect on ROA. Meanwhile, Non-Performing Financing (NPF), Finance to Deposit Ratio (FDR), and Third-Party Fund have no significant effect on ROA. Simultaneously, the five variables account for 72.80% of the significant change in ROA. The capital adequacy ratio and operating expense to operating income have been identified as having the most significant impact. In terms of the direction of change before and after the M&A, ROA has significantly increased after the M&A, implying that the M&A had a positive impact on Sharia banks in Indonesia.

Keywords: *NPF, CAR, Profitability, FDR, OEOI.*

1. Introduction

Indonesia is an archipelagic country with the world's fourth largest population, accounting for 3.47% of the global population. Furthermore, Indonesia is also a country whose population is predominantly Muslim, with a percentage of 13% of the world's Muslim population. As a result, Indonesia has a lot of potential in the world of Sharia-compliant banking. Sharia banks operate according to Sharia economic principles. Islamic economics or *Sharia* is the study of banks which in their operations distribute and manage resources to achieve *Falah* based on the *Qur'an* and *Sunnah* (Santoso, 2016). Islamic economics, which is based on Islamic law, does not recognize the existence of "loan interest," also known as the interest rate. When it comes to loan interest, the words usury and sin come to mind. In Islamic banking, a "profit sharing scheme," or *Nisbah*, is used instead (Marimin & Romdhoni, 2017).

Islamic banks were first proposed in 1980, when discussions on the foundations of the Islamic economy were held through Islamic banks. Karnaen A Perwataatmadja, M Dawam Raharjo, AM Saefuddin, M Amin Azis, and friends were among those who took part in the discussion. This was made possible by the formation of PT Bank Muamalat Indonesia (BMI) as Indonesia's first Islamic bank on November 1, 1991. With an initial capital of Rp106,125,382,000.00 the company began operations on May 1, 1992. There was a monetary crisis in 1998, and many conventional banks went bankrupt as a result. Bank Muamalat, on the other hand, was able to survive because Islamic banking financing is still more focused on domestic economic activity, and there is still a lack of strong convergence with the global financial system. Therefore, many banks have switched to the sharia system, as well as banks that have created subsidiaries using sharia principles in their operations.

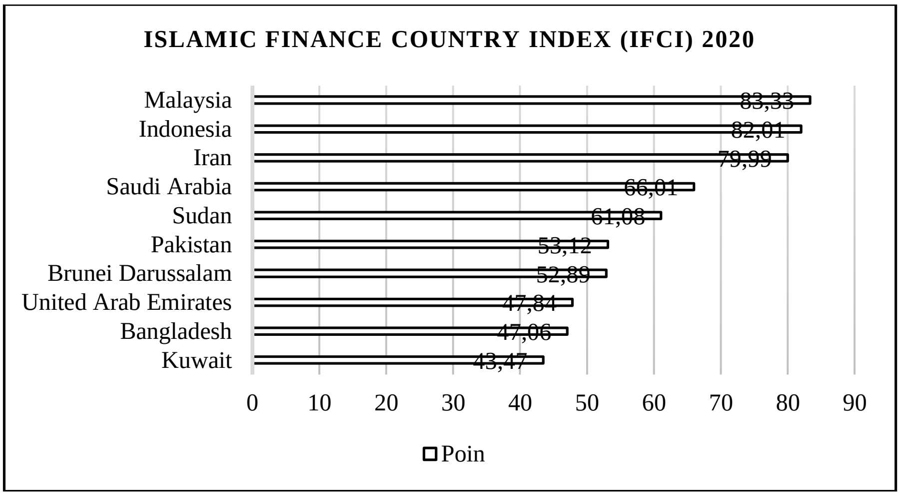

Figure 1. Islamic Finance Country Index 2020
(Source: Global Islamic Finance Report, 2020)

Based on the Global Islamic Finance Report 2020 as revealed in figure 1, Indonesia ranks second in terms of the potential and conduciveness of the development of the Islamic Finance industry in 2020, after Malaysia. This is a positive change, as Islamic banks in Indonesia are evolving for the better as a result of the changes implemented. According to Johan (2019), every company that wants to expand has two options: grow organically or non-organically, The majority of business grow organically. Nonorganic growth is achieved by forming alliances with other business. Mergers and acquisitions, joint ventures, strategic partnership/alliances, and franchise cooperation can all be used to form alliances with other company. This is a strategy for Islamic banks to achieve the desired target by merging. Mergers happen when two or more companies agree to collaborate as a single entity, whereas acquisitions happen when one of the companies buys a portion or all of another company (Sherman & Badillo, 2011). In the last decade, notification of mergers in Indonesia has increased, as revealed in Figure 1.2.

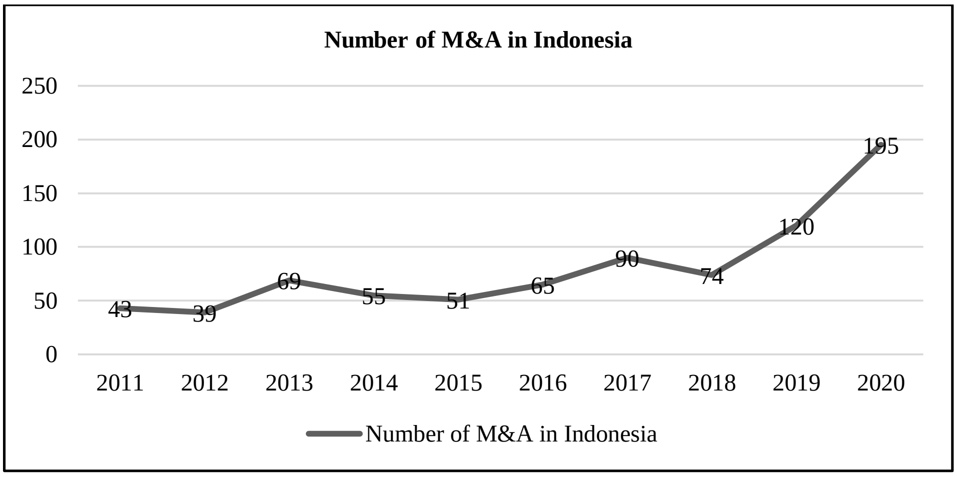

Figure 2. Number of Merger and Acquisitions in Indonesia
(Source: www.kppu.go.id, 2011-2020)

As shown in Figure 2, the number of merger and acquisition cases in Indonesia fluctuated between 2011 and 2013. Indonesia held a general election in 2014, and the circumstances at the time caused some investors to wait and see what the outcome would be. According to statistics, this move may reduce investor interest in the business. Other factors to consider include the Indonesian government's recent announcement of a new policy allowing only 40% foreign equity in the banking sector. From 2011 to 2015 there was an increase in mergers, but in 2018 there was a decline, and it rose again in 2019. The number of mergers increased significantly in 2020, from 120 in 2019 to 195 in 2020, possibly due to the impact of pandemic COVID-19. This is also due to a reduction in the number of existing banks, which allows the OJK to relax the rules for companies looking to join in 2019. The OJK eases restrictions for large banks that will acquire small banks. Without needing to be merged, the tiny bank that will be taken over is enough to become a special satellite bank. OJK Regulation Number 39/POJK.03/2017 originally specified the sole proprietorship rule. According to this rule, each partner can only own a controlling stake in one bank. As a result, banks that acquire other banks often change their share ownership structure, merge or consolidate, and form a new banking holding company or holding company. Some of the banks that will merge in 2020 are Bukopin Bank with Kookmin Bank, Permata Bank with Bangkok Bank, Agricultural Bank and Industrial Bank of Korea, and also Bank Rakyat Indonesia Syariah (BRIS), Bank Negara Indonesia Syariah (BNIS), Bank Syariah Mandiri (BSM) which merger between these three banks is discussed in this study.

As a result of the merger, the growth of Islamic banks is expanding, as is public knowledge of this bank. Strong financial reports can show good bank performance. Bank financial statements can be seen or utilized as a source of information for any stakeholders on the bank's financial performance and responsibility.

The performance of Islamic banks in Indonesia must be examined in order to ensure their long-term viability and development. Sharia bank performance review is a method of determining a *Sharia* bank's success rate over a period of time using work plans, work plan realization reports, bank periodic reports, compliance with provisions, and other factors (Yusuf & Ichsan, 2020). In Indonesia, bank evaluations are often carried out by the Indonesian central bank, as well as by individuals with various goals in mind, such as wishing to invest. In Indonesia, studies on the performance of *Sharia* banks tend to focus on financial or business performance. The success of a bank can be seen from the performance of the bank. One way to measure the performance of a bank is to calculate the level of profit. The researchers in this study use ROA as a profit indicator. It is a metric for assessing a company's ability to increase sales through cash management. The income before taxes is split by total assets in the calculation. The higher the number, the higher the company's production, and thus the higher the rate of return.

The objective of this study is to compare the effect of the independent variables, namely NPF, CAR, OEOI, FDR, and TPF influence to the dependent variable (ROA) for the period before and after the merger between BRIS, BNIS, and BSM banks. The period prior to the merger is 2015Q1-2020Q4, and the period following the merger is Q1-Q2 2021, and it can be determined later whether the M&A results in positive changes or not.

2. Literature Review

2.1 Theories

Islamic Banking

Banking, according to the Indonesia banking law of Republik Indonesia No.10 of 1998 about banking, banking is everything related to banks, including institutions, business activities, and methods and processes for carrying out their business activities. There are two types of banking operational systems in Indonesia's banking system: conventional banks and Islamic banks. Sharia Bank is a bank whose operations are governed by Islamic law, and it does not charge or pay interest to its customers (Andrianto & Firmansyah, 2019). Islamic Banking is everything related to Islamic Banks and Sharia Business Units, including institutions, business activities, as well as methods and processes in carrying out their business activities, and is based on law of Republik Indonesia No. 21 of 2008. Islamic banks operate in a different manner than conventional banks. Customers of Islamic banks can obtain interest-free services. The interest system is not recognized by Islamic banks, whether it is interest earned from customers who borrow money or interest paid to depositors of funds in Islamic banks.

Definition of Merger and Acquisition

Merger is the joining of two or more businesses to form a single entity with ongoing operations. A merger is the joining of two firms in which one remains operational while the other ceases to exist. The purchasing firm takes over the combined business's assets and obligations, and it keeps its legitimacy after the merger (Soundarya et al., 2019). When one business buys a controlling stake in another, a legal subsidiary of another, or specific assets of another, such as a manufacturing plant, it is known as an acquisition. An acquisition, in other terms, is the purchase of an asset such as a factory, a division, or even an entire company (Soundarya et al., 2019).

Table 1. Comparisons between Mergers and Acquisitions

Basis	Merger	Acquisition
Definition	Fusion of firms of their own volition to establish a new company	Company taken over by another company
Company existence	Lost, because the two companies will merge into a new company.	Does not disappear, only that the acquired company becomes the property of the acquirer.
Company name	new name	The acquired company retains the same name, but operates under the acquirer's business.
Purpose	1. Lower operating costs 2. Expand coverage in the market	1. Lower operating costs 2. Increase production capacity 3. Get advanced technology 4. Get skilled workers
Nature of decision	Mutual decision	Friendly and hostile decisions
Legal formalities	More	Less
Minimum number of companies	3	2

Source: Rahmalia (2020)

The following are the variables used in this study:

Profitability

Profitability ratio is a ratio that measures how effectively a company uses existing investments and economic resources to generate a profit, allowing the company to share profits with investors who have invested in the company. As a result, in addition to other aspects, such as administrative and operational aspects, the profitability ratio is one way to measure the level of company performance in the financial sector (Sari & Andriyani, 2021).
In this study, the profitability ratio used is Return on Asset (ROA). Return on Assets (ROA) is a proxy for profitability that measures the bank's efficiency management, it demonstrates how the bank converts its assets to generate the entire profit (Havizand & Setiawan, 2015).

$$\boldsymbol{ROA = \frac{net\ income}{total\ assets}\ X\ 100\%}$$

Non-Performing Financing

Non-Performing Finance is similar to conventional bank's Non-Performing Loans (NPL). The NPL is replaced by the NPF in Islamic banks because it uses the concept of borrowing (financing). Non-Performing Financing (NPF) is one of the instruments for assessing the performance of a sharia bank, which is the interpretation of the valuation of earning assets, particularly in the assessment of non-performing financing.

$$\boldsymbol{NPF= \frac{the\ amount\ of\ non-performing\ financing}{Total\ financing}\ X\ 100\%}$$

Capital Adequacy Ratio

The CAR is mathematically worded as follows, based on Bank Indonesia Regulations set out in Bank Indonesia Circular Letter 3/30/DPNP of 14 December 2001:

$$\boldsymbol{CAR = \frac{Capital}{risk\ weighted\ assets}\ X\ 100\%}$$

Operating Expense to Operating Income

Operating Expenses to Operating Income is a profitability ratio for a company that compares operating expenses to operating income.

$$\boldsymbol{OEOI = \frac{total\ operating\ expenses}{Total\ operating\ income}\ X\ 100\%}$$

Fund to Deposit Ratio

Financing to Deposit Ratio (FDR) refers to how much Third-Party Funds (TPF) are channeled through Islamic banks for financing. The FDR ratio is comparable to conventional banks' Loan to Deposit Ratio (LDR), though there is no credit (loan) in Islamic banking, but it uses financing.

$$\boldsymbol{FDR = \frac{Financing}{Thir\ Party\ Fund}\ X\ 100\%}$$

Third-Party Fund Growth

The structure of funds or the bank's financial structure will be determined by funds sourced from within the bank, such as those originating from bank owners or from bank profits, as well as those sourced from outside the bank, such as those originating from the community or referred to as third-party funds (Sumartik & Hariasih, 2018).

2.2 Previous Research

There have been several previous studies that also analyzed the effect of financial ratios on ROA. Ichsan et al. (2021) conducted a study that examined the variables that influenced the performance of Islamic banks during the COVID-19 pandemic. The results of their study show that partially CAR, OEOI, FDR have a significant and positive effect on ROA. Meanwhile, NPF had a negative and insignificant effect on ROA. Simultaneously, all variables have a significant effect.

Furthermore, a study by Biasmara and Srijayanti (2021) analyzes the pre-merger performance of three Islamic banks and their effect on ROA. As a result, CAR, NPF, and TPF growth do not have a significant effect on ROA. However, FDR and OEOI have a significant effect on ROA. Simultaneously, all variables have a significant effect.

Then, there is a previous study from Mahmudah and Harjanti (2016), which analyzes the variables that affect the profitability of Islamic banks in Indonesia in 2011-2013. From the results of their study, it was found that CAR had a positive and significant effect, while NPF does not affect ROA.

Furthermore, a previous study by Eka Wardhani and Amanah (2019), which also examined the effect of financial performance on ROA. the result is that financial performance as measured by CAR, FDR, has no effect on ROA, while NPF has a negative effect on ROA. This demonstrates that increasing the NPF ratio has a negative impact on profitability because a high NPF ratio increases the provision for losses caused by bad loans, and thus profitability decreases.

Finally, in a previous study by Rohansyah et al. (2021), they analyze the impact of NPF and FDR on ROA in Islamic banking in Indonesia. It is known that NPF has a negative and significant effect on ROA. The high value of NPF can have an impact on the health of the bank. The greater the NPF, the greater the losses experienced by the bank, which in turn will result in reduced bank profits. The reduced profit will result in the total assets of the bank also decreasing. Then, FDR has a negative and insignificant effect on ROA. This means that the high value of FDR will not significantly affect the ROA of Islamic banking.

2.3 Hypotheses

From these previous studies above, it can be found a research gap that there are differences in the results from one study to another. namely differences in the results of the influence caused by the same variable. Then, there are also differences in the research period. As a result, this study investigates the effect of variables that measure Islamic banks' financial performance on ROA and compares it to the period before and after banks conduct mergers and acquisitions. The following are the hypotheses proposed in this study for BRIS, BNIS, and BSM:

$H_0$1: There is a significant influence of financial ratios in terms of NPF, CAR, OEOI, FDR, and TPF, simultaneously, for period before merger and acquisition towards ROA
$H_0$2: There is a significant influence of NPF for period before merger and acquisition towards ROA
$H_0$3: There is a significant influence of CAR for period before merger and acquisition towards ROA
$H_0$4: There is a significant influence of OEOI for period before merger and acquisition towards ROA
$H_0$5: There is a significant influence of FDR for period before merger and acquisition towards ROA
$H_0$6: There is a significant influence of TPF for period before merger and acquisition towards ROA
$H_0$7: There is a significant difference between ROA before and after merger and acquisition
$H_0$8: There is a significant difference between CAR before and after merger and acquisition
$H_0$9: There is significant difference between OEOI before and after merger and acquisition

After developing the above hypotheses, a theoretical framework for this study can be made as follows:

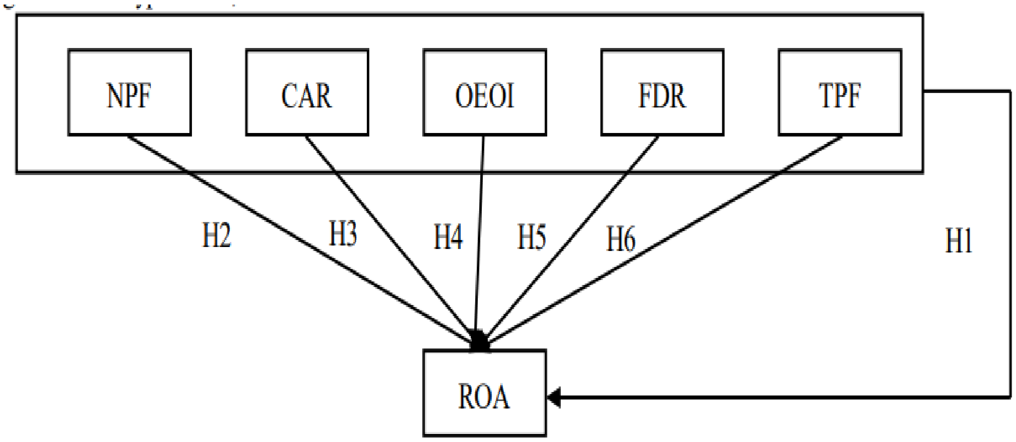

Figure 3. Theoretical Framework
(Source: Created by Researchers, 2022)

After that, a different test was conducted on financial benefits, and the variables that significantly affected these profits using the Mann Whitney test.

3. Research Methods

This study used a quantitative method. Quantitative method is a method of gaining knowledge that involves using data in the form of numbers as a tool to analyze information about what needs to be known or explain the relationship between variables, test theories, and generalize the social phenomena under study. This study explains the relationship between variables used, which are NPF, CAR, OEOI, FDR, and TPF as independent variables. Furthermore, the dependent variable uses ROA as one of the profitability ratios.

The population in this study is the government-owned Islamic banks. The sample was chosen using a purposive sampling approach, which means that the sample was chosen with a specific goal in mind, and the sampling units were chosen entirely at the researcher's discretion and judgment. In this study, the sample was chosen based on the following criteria: Islamic bank owned by the government, publication of the company financial report for the last seven years, or from 2015 to 2022. Based on these criteria, three companies have been identified that could be used in this study: PT Bank Rakyat Indonesia Syariah, PT Bank Negara Indonesia Syariah, and PT Bank Syariah Mandiri, as well as the result of these mergers and acquisitions, PT Bank Syariah Indonesia.

The data used in this study were secondary data obtained from the company's official website, spanning the years 2015Q1-2020Q4 before M&A and 2021Q1-2022Q1 after M&A. Panel data is used for the period preceding the M&A because the data consists of several companies or cross sections as well as several periods. Furthermore, for the aftermath of the M&A, it is time series data, i.e. data from a single company spanning multiple periods or times.

The methods used to run the data are multiple regression analysis, simple regression analysis, and classical assumption test. To test the hypotheses proposed in this study, the methods used are the total test or F-test, partial test or T-test to examine the differences that occur between before and after mergers and acquisitions.

Multiple Regression Analysis is used to assess the impact of independent variables towards dependent variable. It is formulated as:

$$Y = ROA = \alpha + \beta_1 NPF + \beta_2 CAR + \beta_3 OEOI + \beta_4 FDR + \beta_5 TPF + \varepsilon_1$$

Where ROA is denoted as Return on Assets, α is the intercept or constant (value of Y when X1-X5 = 0); $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ are the coefficient of each variable, NPF is Non-Performing Finance, CAR is Capital Adequacy Ratio, OEOI is Operating Expense to Operating Income, FDR is Fund to Deposit Ratio, and TPF is Third-Party Fund.

4. Results and Discussion

Table 2. Multiple Regression Result (before M&A)

Dependent Variable: Y

Method: Panel Least Square

Date: 09/03/21 Time: 12:11

Sample: 2015Q1-2020Q4

Periods Included: 24

Cross-sections Included: 3

Total panel (balanced) observations: 72

White cross-section (period cluster) standard errors & covariance (d.f. corrected)

Standard error and t-statistic probabilities adjusted for clustering

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	10.56784	1.008330	10.48053	0.0000
X1	0.020673	0.069099	0.299179	0.7675
X2	-0.0345963	0.009955	-3.475224	0.0020
X3	-0.105963	0.012184	-8.697125	0.0000
X4	0.006927	0.006969	0.993970	0.3306
X5	0.002275	0.005805	0.391990	0.6987

Effect Specification

Cross-section fixed (dummy variables)

R-squared	0.754785	Mean dependent var	1.125000
Adjusted R-squared	0.727964	S.D. dependent var	0.529084
S.E. of regression	0.275954	Akaike info criterion	0.367277
Sum squared resid	4.873654	Schwarz criterion	0.620240
Log like hood	-5.221976	Hannan-Quinn criter.	0.467982
F-statistic	28.14216	Durbin-Watson stat	1.258189
Prob(F-statistic)	0.000000		

Source: Processed by researchers

F-test

Table 3. Weighted Statistic

F-Statistic	28.142
Prob. (F-Statistic)	0.000

Source: Processed by researchers

Based on the results of the multiple regression analysis, it is determined that the probability is 0.00, which is less than the significance level (0.005), and thus the $H_0 1$ is accepted. This means that all of the independent variables, NPF, CAR, OEOI, FDR, and TPF, have a significant influence on ROA simultaneously.

T-test

The Influence of Non-Performing Finance Towards Return on Assets

After conducting several analyses, the probability value is 0.768. Thus, it can be interpreted that $H_0$2 is rejected. This means that there is an insignificant influence of NPF towards ROA of BRIS, BNIS, and BSM. Furthermore, NPF cannot be used for determining profitability of Indonesian Islamic commercial banks. This result is in line with the previous study by Biasmara and Srijayanti (2021), Ichsan et al. (2021), and Mahmudah and Harjanti (2016).

The average NPF percentage of the three banks in the 2015-2020 period is relatively low, which is below 5%. This shows that the bank's performance is good and the low level of non-performing financing does not have a significant effect on ROA.

The Influence of Capital Adequacy Ratio Towards Return on Assets

After conducting several analyses, the probability value is 0.002. Therefore, it can be interpreted that $H_0$3 is accepted. This means that there is a significant influence of CAR towards ROA of BRIS, BNIS, and BSM. Furthermore, CAR can be used for determining profitability of Indonesian Islamic commercial banks. Moreover, it is also found that the coefficient value is -0.035, and the direction is negative. This means that any increase in CAR will result in a decrease in ROA. This finding contradicts previous study by Wardhani and Amanah (2019). This phenomenon can occur between what should be if CAR increases, then ROA will also increase, because the higher this ratio indicates the soundness level of the bank. This is because CAR is a capital adequacy ratio that can be used to account for the bank's risk of loss. However, there are several factors that can contribute to this, including the possibility that many funds are not channeled for credit in order to maximize profits. The CAR formula, as is well known, is capital divided by risk-weighted assets, with credit having the highest risk weight and the lower the risk-weighted assets, the higher the CAR. This is due to decreased credit, which results in lower-than-ideal bank income and profits.

The Influence of Operating Expense to Operating Income Towards Return on Assets

After conducting several analyses, the probability value is 0.000. Therefore, it can be interpreted that $H_0$4 is accepted. This means that there is a significant influence of OEOI towards ROA of BRIS, BNIS, and BSM. Furthermore, OEOI can be used for determining profitability of Indonesian Islamic commercial banks. Furthermore, it is discovered that the coefficient value is -0.106 and the direction is negative. This means that any increase in OEOI will result in a decrease in ROA. This result is consistent with previous study by Biasmara and Srijayanti (2021).

OEOI is a ratio that measures a bank's efficiency. The greater the OEOI, the less efficient the bank. The OEOI value in this study is high because it is greater than the ideal value of 60-65%. Therefore, the high value of OEOI affects the decrease in ROA.

The Influence of Fund to Deposit Ratio Towards Return on Assets

After conducting several analyses, the probability value is 0.330. So that it can be interpreted that $H_0$5 is rejected. This means there is an insignificant influence of FDR towards ROA of BRIS, BNIS, and BSM. Furthermore, FDR cannot be used for determining profitability of Indonesian Islamic commercial banks. This result is in line with the previous studies by Rohansyah et al. (2021) and Eka Wardhani and Amanah (2019).

FDR is a ratio to measure the composition of the amount of credit given compared to the amount of public funds and own capital used. In this study, FDR has no significant effect on ROA, this shows that the distribution of funds has not been carried out optimally at the banks.

The Influence of Growth of Third-Party Fund Ratio Towards Return on Assets

After conducting several analyses, the probability value is 0.698. Therefore, it can be interpreted that $H_0$6 is rejected. This means that there is an insignificant influence of TPF towards ROA of BRIS, BNIS, and BSM. Furthermore, TPF cannot be used for determining profitability of Indonesian Islamic commercial banks. This result is in line with the previous study by Biasmara & Srijayanti (2021).

The Comparison between before and after Merger and Acquisition (Mann Whitney Test)

ROA

Table 4. Mann Whitney Test Result

Ranks

	Category	N	Mean Rank	Sum of Ranks
Return on Assets	ROA (Before M&A)	72	36.93	2659.00
	ROA (After M&A)	5	68.80	344.00
	Total	77		

Test Statistics[a]

	Return on Assets
Mann-Whitney U	31.000
Wilcoxon W	2659.000
Z	-3.081
Asymp. Sig. (2-tailed)	.002
Exact Sig. [2*(1-tailed Sig.)]	.001[b]

a. Grouping Variable: Category

b. Not corrected for ties.

Source: Processed by researchers

Based on the Mann Whitney Test result on the table above, the Asym. Sig. (2-tailed) is 0.002. This means that $H_0 7$ is accepted. The ROA has a significant difference between the period before and after mergers and acquisitions, that is, in the data, ROA increases when compared to before mergers and acquisitions. This shows that the profitability of banks is getting better after mergers and acquisitions are carried out. Banks are able to increase profits on the use and management of assets.

OEOI

Table 5. Mann Whitney Test Result

Category	N	Mean Rank	Sum of Ranks
OEOI (Before M&A)	72	41.40	2981.00
OEOI (After M&A)	5	4.40	22.00
Total	77		

Test Statistics[a]

	OEOI
Mann-Whitney U	7.000
Wilcoxon W	22.000
Z	-3.576
Asymp. Sig (2-tailed)	.000
Exact Sig. [2*(1-tailed Sig.)]	.000[B]

a. Grouping Variable: Category

a. Grouping Variable: Category

Source: Processed by researchers

Based on the Mann Whitney Test result on the table above, the Asym. Sig. (2-tailed) is 0.000. This means that $H_0 8$ is accepted. The OEOI significantly difference between the period before and after merger and acquisitions. In its data, OEOI is significantly decreased. The lower this ratio, the more efficient the operational costs incurred by the bank in question, reducing the possibility of a bank in a problematic situation. It also shows that bank financing after mergers and acquisitions is better than before.

CAR

Table 6. Mann-Whitney Test Result

Ranks

	Category	N	Mean Rank	Sum of Ranks
CAR	CAR (Before M&A)	72	37.44	2696.00
	CAR (After M&A)	5	61.40	307.00
	Total	77		

Test Statistics[a]

	CAR
Mann-Whitney U	68.000
Wilcoxon W	2696.000
Z	-2.315
Asymp. Sig. (2-tailed)	.021
Exact Sig. [2*(1-tailed Sig.)]	.018[b]

a. Grouping Variable: Category
b. Not corrected for ties.

Source: Processed by researchers

Based on the Mann Whitney Test result on the table above, the Asym. Sig. (2-tailed) is 0.021. This means that $H_0$9 is accepted. The CAR significantly difference between the period before and after merger and acquisitions. In its data, CAR is significantly increased. The higher this ratio, the more the bank's ability to bear the risk of any risky credit/productive assets. If the value of the Capital Adequacy Ratio is high, the bank can finance operational activities and make a sizeable contribution to profitability.

5. Conclusion and Implications

There are five independent variables examined for their influence on Return on Assets (ROA) at Bank Rakyat Indonesia Syariah (BRIS), Bank Negara Indonesia Syariah (BNIS), and Bank Syariah Mandiri (BSM) for the 2015-2020 period, namely Non-Performing Financing (NPF), Capital Adequacy Ratio (CAR), Operating Expense to Operating Income (OEOI), Fund to Deposit Ratio (FDR), and the percentage of growth of Third-Party Fund (TPF). From the results of the analysis, it was found that simultaneously all independent variables significantly affect ROA. Furthermore, partially, NPF, FDR, and TPF were found to have no significant effect. Then, CAR and OEOI have a significant effect on ROA, and the direction is negative. This means that any increase in these two ratios will result in a decrease in ROA. Then, for the comparative analysis, there are comparatives between profitability and the two ratios that have a significant effect on ROA, namely OEOI and CAR for period before and after mergers and acquisitions. The results show that these three ratios change significantly before and after mergers and acquisitions. These changes point in the right direction.

As a result, the findings of this study can be used as literature by new banks formed through mergers and acquisitions, such as Bank Syariah Indonesia. Earnings are affected by two ratios: the Capital Adequacy Ratio and the Operating Expense to Operating Income Ratio. If both of these ratios rise, Return On Assets may fall. It is expected that the Bank can maintain the ratio in its efficient range, namely for the lowest Capital Adequacy Ratio of 9% based on Financial Services Authority of the Republic of Indonesia No 11/POJK.03/2016. This is due to the fact that these three banks fall under the risk profile category level 2. According to the data, this financial ratio is already greater than the minimum, indicating that the ratio is not problematic. However, a decline in Return on Assets can also be caused by a lack of funds disbursed to credit (risk-weighted assets), resulting in a lack of income and a negative impact on profits. Moreover, for the ratio of Operating Expense to Operating Income, the ideal ratio is 70-75%. However, judging from the data, it is found that the Operating Expense Operating Income ratio of these three banks is above the ideal ratio. This should be taken into account in the future, because the higher the ratio, the less efficient the bank's operations will be.

This study also has limitations, namely the use of a small number of variables. Future researchers are expected to investigate the effect of other variables on Return on Assets, as well as external influences such as inflation and others. Further research is expected to compare financial performance before and after mergers and acquisitions using other financial ratios not included in this study. Furthermore, future studies can compare them over a longer time period for better results.

This study was conducted to determine the variables that affect profit in Islamic banks. This study obtained both the same and different results as previous studies, so it can be both a reinforcement and a rebuttal of the theory. Furthermore, it is hoped that the findings of this study will serve as a new guideline for Indonesian Islamic banks. This is to improve financial performance, and this study can also serve as a reference and literature for future researchers.

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