



Analysis of market dominance in the sharia banking industry after the merger of bank islamic indonesia (BSI)

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ABSTRACT

To assist the development of the Islamic banking enterprise in Indonesia, the Government of Indonesia through the Ministry of BUMN decided to merge 3 BUS which can be subsidiaries of BUMN Banks, namely Bank Syariah Mandiri, BNI Syariah and BRI Syariah. The merger ended in a bank with the call Bank Syariah Indonesia (BSI) and officially running on February 1, 2021. At the give up of 2021, BSI was recorded as having assets of IDR 265.3 trillion and changed into included inside the top 10 largest national banks in Indonesia. Islamic banks have to this point had confined capital, making it tough to compete with traditional banks. Therefore, BSI, which has massive capital, is anticipated for you to compete head to head with conventional banks. There have been also concerns and rejection of the BSI merger. This is due to the fact there are indicators that BSI has market dominance and might monopolize the Islamic banking industry in Indonesia. The motive of this examine is to describe the characteristics of marketplace dominance within the Islamic banking enterprise after the merger of Bank Syariah Indonesia. This research uses some of indicators, particularly awareness ratio, Herfindahl-Hirschman Index (HHI), and Melnik's ratio. The end of this look at is that of all of the indicators used, namely the awareness ratio, Herfindahl-Hirschman Index (HHI), and the Melnik ratio, it can be stated that there is a robust indication of marketplace dominance inside the Islamic banking industry after the merger of Bank Syariah Indonesia.

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INTRODUCTION

Some of the reasons for the merger of these banks are strengthening the sharia economy in Indonesia, increasing the market share of sharia banks, increase funds, improve company skills, increase liquidity owners, and create synergies (Hadi & Suaibah, 2021). Supervisory Commission (KPPU) having filed an objection to the BSI merger, due to the existence of market dominance and

indications of monopoly, it was feared that BSI would engage in unhealthy business competition and kill sharia banks - other smaller sharia banks (Adlin et al., 2020). Research on the BSI merger so far has only discussed the impact of the BSI merger on BSI performance and efficiency (Sanny et al., 2020) or discussed the BSI merger with a descriptive qualitative approach from a business, juridical, or Islamic law (Kuo et al., 2022). A number of studies that pertain to BSI's monopoly potential are only limited to using market share data and discussing only from a juridical or Islamic law perspective. (Cuff et al., 2016) As a result, previous studies were only limited to using share data the market immediately concluded that there was monopoly potential with BSI's market dominance, giving rise to the impression of being shallow and hasty in drawing conclusions (Hariyani & Mishra, 2022). This is caused by the neglect of views from the perspective of industrial organization by previous studies, even though basically the concepts of market dominance and monopoly are part of industrial organization. Previous research was also limited to using market share data as an indicator, and ignoring other indicators commonly used in discussing market dominance and monopoly, such as the Concentration Ratio (CR) and the Herfindahl-Hirschman Index (HHI). (Xie et al., 2022). Therefore, research is needed that can discuss the BSI merger from an industrial organization perspective with more in-depth indicators, such as CR and HHI. The purpose of this study is to further analyze market dominance in the Islamic banking industry after the BSI merger. This study uses analysis from the perspective of industrial organization by utilizing a number of indicators, namely CR, HHI, and the Melnik ratio. (Holroyd, 2020)

RESEARCH METHOD

This have a look at makes use of a quantitative method and a descriptive technique. (Latifah, 2020). Thus, the motive of this studies is to describe the characteristics of market dominance inside the Islamic banking enterprise after the merger of Bank Syariah Indonesia. (Kaur & Rahmadani, 2023). This look at uses secondary records inside the form of annual financial reviews of Islamic banks and Islamic banking facts issued by means of the Financial Services Authority. The degree of this research evaluation is at the economic stage. For the sampling approach, this look at took information from all contributors of the population of the Islamic banking industry in Indonesia, particularly all Islamic banks in the form of BUS and UUS in Indonesia. (Natique et al., 2021). Data series may be done in 2021 (after the BSI merger) so that an evaluation of marketplace dominance situations inside the Islamic banking industry can be completed. For records analysis, this have a look at makes use of descriptive statistical methods to describe the traits of market dominance inside the Islamic banking enterprise after the merger of Bank Syariah Indonesia. This study makes use of a number of indicators, specifically the awareness ratio, the Herfindahl-Hirschman Index (HHI), and the ratio proposed via Melnik et al. (2008). To be greater comprehensive, this research seems on the marketplace proportion of Islamic banks in phrases of property, Third Party Funds (DPK) and financing. (Khatrı et al., 2019) This research type of this study is quantitative research and uses secondary data from Financial Services Authority (OJK) and financial reports from BRIS, BNIS, BSM, and BSI. Market share is a dependent variable and ROA, NPF, BOPO, and FDR are the independent variables of this research. Panel Data regression was used for the estimation data of BSI before the merger. The equation applied in this study to determine the factors that influenced BSI's market share before the merger is as follows:

$$MS_{it} = \beta_0 + \beta_1 ROA_{it} + \beta_2 NPF_{it} + \beta_3 BOPO_{it} + \beta_4 FDR_{it} + \epsilon_{it} \dots (1)$$

Multiple Linear Regression was used for BSI after the merger. The classical Assumption test was also used for this research. The authors looked at the data at three banks BRIS, BNIS, and BSM from January 2019 until January 2021. The data of BSI afterward merged from February 2021 to

October 2021. STATA 14 was used to experiment. The equation applied in this study to determine the factors that influenced BSI's market share after the merger is as follows:

$$Y = \alpha + \beta_1 ROA1 + \beta_2 NPF2 + \beta_3 BOP03 + \beta_4 FDR4 + + e_i \dots (2)$$

RESULTS AND DISCUSSIONS

To analyze the circumstance of marketplace dominance inside the Islamic banking enterprise after the merger with Bank Syariah Indonesia, it's miles first defined about the 8 largest Islamic banks after the merger with Bank Syariah Indonesia.(Dhingra et al., 2014). After the merger with Bank Syariah Indonesia, there have been a number of banks that were included in the eight largest Islamic banks in terms of property, DPK, or financing, specifically Bank Syariah Indonesia, UUS Bank CIMB Niaga, Bank Muamalat Indonesia, UUS Bank Maybank Indonesia, UUS BTN, UUS Bank Permata , Bank Aceh Syariah, Bank Syariah National Pension Savings Bank, Bank Mega Syariah, and Bank Panin Syariah.(PJOK, 2019)

Furthermore, a number of signs are used, namely the attention ratio, Herfindahl-Hirschman Index (HHI), and Melnik's ratio to research marketplace dominance situations after the merger of Bank Syariah Indonesia. The attention ratio indicator used is the attention ratio of the four largest Islamic banks (CR 4) and the eight biggest Islamic banks (CR 8). After the CR 4 merger, the Islamic banking industry changed into inside the variety of 62% to 65%. In terms of CR 8, after the merger, the price is within the range of 77% to 82%. From the CR 4 and CR eight values after the merger, it could be stated that there was a massive growth in dominance of the four biggest Islamic banks and the 8 biggest Islamic banks after the merger of Bank Syariah Indonesia.(Bischof et al., 2015) The analysis of the market share determinants of Bank Syariah Indonesia before the merger had a substantial influence on the market share. After the merger of the criteria utilized, insignificant results on the statistical test of do not affect market share. However, when assessed in terms of financial performance, it demonstrates substantial progress. This can be seen in the performance of each variable employed. As a result, it is possible to conclude that the government-led merger offers great potential.

From the HHI side, after the merger of Bank Syariah Indonesia, there has been a enormous growth within the HHI cost to be within the variety of 1825 to 2164. Referring to The United States Department of Justice and the Federal Trade Commission which states if an industry's HHI has a value above 1800, then the enterprise indicated that there may be market dominance (Hariyani & Mishra, 2022).Therefore it is able to be said that once the merger of Bank Syariah Indonesia, there's market dominance within the Islamic banking enterprise.

(Goldstein et al., 2022)In phrases of the Melnik ratio, an evaluation is finished by means of assuming some of Y values (Y is a illustration of some of enterprise variables, consisting of guidelines, boundaries to access to the industry, and dominant dealers or shoppers inside the enterprise). The better the cost of Y, it is assumed that the enterprise is increasingly more inhospitable to enter (Kuo et al., 2022) The assumed Y values are 0.5, 1, and 2. The Melnik ratio itself indicates that if a agency has a marketplace percentage above the Melnik ratio, then there is market dominance in that enterprise.(Vik et al., 2020) The value of the Melnik ratio after the merger of Bank Syariah Indonesia became within the variety of 0.39 to zero.Forty eight. By assuming Y = 2, it may be said that there may be marketplace dominance inside the Islamic banking industry, specifically in terms of deposits and financing. This is thinking about that the market percentage of Bank Syariah Indonesia is forty three.Forty five% from the DPK side (exceeding the cost of the Melnik ratio, that is 39.8%) and 43.96% from the financing aspect (exceeding the price of the Melnik ratio, that is 40%)(Hariyani & Mishra, 2022).

Of all of the indicators used, particularly the concentration ratio, Herfindahl-Hirschman Index (HHI), and the Melnik ratio, it is able to be said that there's a robust indication of marketplace dominance in the Islamic banking enterprise after the merger of Bank Syariah Indonesia. (Badurdeen & Jawahir, 2017) It also can be stated that Bank Syariah Indonesia has market dominance inside the Islamic banking industry (Alfiyah et al., 2021).

CONCLUSION

A merger is a business deal where two existing, independent companies combine to form a new, singular legal entity. Mergers are voluntary. Typically, both companies are of a similar size and scope and both stand to gain from the transaction. Mergers happen for a variety of reasons. They could allow each company to enter a new market, sell a new product, or offer a new service. They can also reduce operational costs, improve management, change their pricing models, or lower tax liabilities. (Nopyandri, 2015). Ultimately, however, companies merge to increase size, scale, and revenue. In other words, mergers help companies make more money. To assist the improvement of the Islamic banking industry in Indonesia, the Government of Indonesia via the Ministry of BUMN decided to merge three BUS which might be subsidiaries of BUMN Banks, namely Bank Syariah Mandiri, BNI Syariah and BRI Syariah. The merger resulted in a financial institution with the call Bank Syariah Indonesia (BSI) and officially operating on 1 February 2021 (Khoidatum, 2022). At the give up of 2021, BSI was recorded to have property of IDR 265.3 trillion and was included inside the pinnacle 10 biggest national banks in Indonesia (Aris et al., 2021). Islamic banks have so far had confined capital, making it hard to compete with conventional banks. Therefore, BSI, which has big capital, is predicted for you to compete head to head with conventional banks (Nurbaiti et al., 2020). There were also issues and rejection of the BSI merger. This is because with the merger, BSI controls around 40% of the marketplace proportion of Islamic banking in Indonesia (Herminingsih, 2022). This has led to indications that BSI has marketplace dominance and may monopolize the Islamic banking enterprise in Indonesia, thinking about that different Islamic banks within the Islamic banking industry are very small in terms of belongings and are not likely that allows you to compete head to head with BSI (Komite Nasional Kebijakan Governansi, 2023). The cause of this take a look at is to explain the characteristics of marketplace dominance in the Islamic banking industry after the merger of Bank Syariah Indonesia. This studies makes use of a number of indicators, particularly attention ratio, Herfindahl-Hirschman Index (HHI), and Melnik's ratio. Of all of the indicators used, namely the awareness ratio, Herfindahl-Hirschman Index (HHI), and the Melnik ratio, it could be said that there's a robust indication of market dominance inside the Islamic banking enterprise after the merger of Bank Syariah Indonesia. A merger takes place when two companies combine to form a new company. Companies merge to reduce competition, increase market share, introduce new products or services, improve operations, and, ultimately, drive more revenue. (Ramirez et al., 2022). Strengthening Indonesian sharia bank mergers begins with an agreement that is written down in form written sharia commercial bank merger agreement as regulated in several applicable legal regulations. Merger of sharia commercial banks is the right step to maintain the country's economic stability as stated in Perpu No.1/2020 and POJK No.18/POJK.03/2020. Sharia Bank was able to record performance positive so that it becomes a leader and a strength for sharia banking for increase its market share to support the halal industry in Indonesia. This can seen from performance through an increase in total assets, CAR ratio, ROA, distribution financing, and DPK. The NPF rate can also be suppressed well, but for BOPO still needs to be reduced further in order to achieve efficiency.

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