

Article

Motives, Positions, and Strategies of State-Owned Islamic Banks after the Merger

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Abstract: The purpose of this study is to find out and analyze the position of Islamic banks resulting from the merger between conventional banks and Islamic banks in Indonesia and what strategic steps are taken by these Islamic banks. The research method used in this research is a descriptive qualitative approach with the case study method. Data collection was carried out by in-depth interviews, direct observation of informants, namely the Director of KNEKS, the managers of the merged Islamic banks (Bank Syariah Mandiri, Bank BRI Syariah, and Bank BNI Syariah), as well as the Ministry of BUMN. Data collection was also carried out secondary, namely through literature studies from journals, text books, and websites as well as other literature. Data analysis used in this research is internal strategic analysis (Internal Factor Analysis Strategic / IFAS) and external strategic analysis (External Factor Analysis Strategic / EFAS), internal external matrix analysis (IE matrix), and SWOT matrix analysis. The results of the study show that Bank Syariah Indonesia is in quadrant 1 which means it is in a condition of growth and can be developed. Based on the results of the analysis of internal and external differences, Bank Syariah Indonesia is in a position of stable growth and a conglomerate diversification strategy. So that Islamic Banks can diversify products for expansion to all lines of business and overseas.

Keywords: strategy; merger; state-owned sharia bank

1. Introduction

Islamic banks are an interesting object to study when they are compared to conventional banks. Islamic banks are relatively more stable than conventional banks in facing obstacles and difficulties (both from internal and external aspects). Based on data obtained from Financial Service Authority (Otoritas Jasa Keuangan in Indonesian language and it is abbreviated as FSO in English), currently Indonesia has 14 sharia (Islamic) commercial banks (SCB or ICB), 20 sharia business units (SBU or IBU), and 162 sharia people's financing banks (SPFB) with market share that has continued to increase from June 2016 to June 2020. These conditions is shown in table 1.1.

Tabel 1.1. Sharia Banking Market Share in Indonesia

Market Share	Juni – 16	Juni – 17	Juni – 18	Juni – 19	Des – 19	Juni – 20
Total Aset	4,85 %	5,42 %	5,71 %	5,95 %	6,17 %	6,18 %
Distributed Financing	5,66 %	5,95 %	5,98 %	6,14 %	6,29 %	6,66 %
Third Party Funds	5,71 %	6,01 %	6,34 %	6,69 %	6,96 %	6,75 %

Source: Financial Sector Authority Data Processed (2020)

Citation: Pramono, Nugroho Heri & Azmi, Fika. (2023). Motives, Positions, and Strategies of State-Owned Islamic Banks after the Merger. *Journal of Islamic Economic and Business Studies*, 1(1), 64-79.

Received: 20th May 2023

Revised: 25th May 2023

Accepted: 30th May 2023

Published: 1st June 2023



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Based on data in the table above, it could be understood that market share of assets, financing provided (FP), and third party funds (TPF) of sharia banks had increased from June 2016 to June 2020. Thus, market share of sharia banking in December 2019 was 6.17% and June 2020 was 6.18%, so the increase in market share was 0.01%. It indicated that the business of Islamic banks remained stable even though Corona Virus 19 pandemic began in March 2020.

However, since the establishment of first Islamic bank in Indonesia (Bank Muamalat Indonesia) in 1992, the penetration ability of Islamic banks in the banking industry was still very low. It was proven by market share of Islamic banks which was still in very low level (6.18%) when it is compared to market share of banking industry as a whole. If sharia banks are developed in a business at usual manner, based on an analysis of past data trends, the increase in market share of the banking industry as a whole is relatively insignificant. Therefore, through Ministry of State-Owned Enterprises (Kementerian Badan Usaha Milik Negara in Indonesian language and it is abbreviated as SOE in English), the government initiated a merger policy for 3 sharia banks, namely Bank Syariah Mandiri, Bank BRI Syariah, and Bank BNI Syariah.

Merger is defined as a combination of two or more companies where only one company survives (Tarigan et al., 2017). Merger is exemplified in the merger of 3 SOE sharia banks which are now Bank Syariah Indonesia. There are several objectives for merger. They are strengthening the size of banks, growing market share, and increasing total assets and capital of banks (National Committee on Sharia Finance, 2019).

Since the beginning of mergers in 19th century in United States of America, the most influential factor in banking and financial services industry was fifth wave of mergers from 2002 to the present (Tarigan et al., 2017). The driving factor for mergers in fifth wave was the effort to increase company size. The key factors for the merger in this wave were market deregulation and privatization. Another important factor was the technological shock from internet revolution (Tarigan et al., 2017) as it was done by Facebook on Whatsapp and Instagram.

The phenomenon of mergers also occurs in Indonesia. The example of successful mergers is Bank Mandiri (the result of the merger from Bank Export Import, Bank Bumi Daya, Bank Dagang Negera, and Bank Pembangunan Indonesia in 1998). The next successful merger is Bank CIMB Niaga (as the result of the merger from Bank Niaga and Bank Lippo in 2008).

Research on mergers had been often conducted. For example was a research conducted by Marks & Mirvis (2011). Both examined the influence of human resources on the success and failure of mergers. The conclusion confirmed that human resources influenced the success and failure of mergers. Furthermore, Vrontis et al. (2012) examined cross-cultural management after companies had merged and the problems that occurred during merger. The conclusion was that the failure of a merger was caused by a lack of understanding of stages of a merger due to the cultural differences of each company that did it. In addition, research on other mergers was conducted by

Tarigan et al., (2017), Kansal & Chandani (2014), and Stafford (2015) who studied the culture in corporate mergers. The conclusion was that the performance of merging companies is influenced by the ability to combine corporate culture.

Furthermore, research on mergers was conducted by Kandil & Chowdhury (2014) who examined the impact of mergers on the performance of sharia banking industry in United Kingdom during economic crisis. Both concluded that there was a significant influence from the merger action on performance of sharia banks in controlling the impact of economic crisis.

Later, Doukas & Zhang (2015) analyzed if bank mergers were driven by equity overvaluation and managerial compensation incentives. It was found that merger policy was driven by equity overvaluation and management compensation incentives. Besides that, Miftah & Wibowo (2017) examined merger action alternatives that can be done by sharia banks in Indonesia. The conclusion was that there were feasible alternatives (both from internal and external factors) for mergers among sharia c banks such as shareholder tendencies and conditions for sharia banks to merge, the size of assets of banks resulting from the merger, and the possibility of a successful merger process among sharia banks.

Based on this phenomenon and various previous researches on mergers, government's policy regarding mergers among sharia banks needed to be studied further. This research was different from several previous studies on corporate mergers. The difference with previous researches was that it was focused on the position of sharia banks resulting from mergers among conventional banks in Indonesia as well as some strategic steps done. The strategy analysis approach applied was Internal Factors Analysis Summary (IFAS), External Factors Analysis Summary (EFAS), Internal-External Analysis (IE), and Strength, Weakness, Opportunity and Threat (SWOT) by paying attention to the organizational culture of each sharia bank that conducted merger.

The market share of sharia banks had indeed increased from 2016 to 2020. However, the various potentials possessed by sharia banks in Indonesia (muslim majority of the population, Islamic banking services are starting to become affordable, and people's understanding of the Islamic economy is increasing) could only record a market share of sharia banks at 6.18% of overall banking industry. Based on this phenomenon, the formulation of the problem in this study included: a). What are motives of doing merger policy of State Owned Enterprises Sharia Banks?; b). What is the position of State Owned Enterprises sharia banks resulting from merger among another sharia banks and conventional banks in Indonesia?; c). What is organizational culture approach done by State Owned Enterprises Sharia Banks during merger?; d). What are strategic steps to be done by Merged State Owned Enterprises Sharia Banks?

The research was expected to result some benefits. There were two benefits of research. The were: The research was expected to be able to give theoretical benefits. Theoretical benefits of the research were giving positive contribution on literature in sharia accounting (especially in study of merger and acquisition) and so giving positive

contribution on Indonesian economy at general (especially on the development of sharia economy and finance). Furthermore, the practical benefits of the research were : For sharia banks, the results of the research could be made a reference to understanding the position or merged sharia banks among conventional banks in Indonesia and several strategic steps they would do. For stake holders, the result of the research could be made a real condition description of sharia banks after merger.

2. Theoretical Reviews

2.1. Scope of Sharia Banks

Based on the (Sharia Banking Act, 2008) sharia banks are defined as banks that conduct business in accordance with sharia principles. They are sharia commercial banks and sharia business units. The sharia principles implemented in Islamic banks are laws or rules originating from Al Quran and hadith and then implemented in fatwas issued by institutions authorized to issue sharia fatwas. Islamic banks are established with the aim of supporting national development in order to increase justice, togetherness, and equal distribution of people's welfare.

An sharia bank legal entity is a limited liability company that can be established by Indonesian citizens and/or Indonesian legal entities, or Indonesian legal entities with foreign nationals in partnership where maximum number of shareholdings is regulated by Bank Indonesia Regulations. Sharia banks can also be established by local governments. Sharia commercial banks can conduct public offerings of securities through capital market as long as the mechanism must comply with sharia principles and not violate capital market laws.

Related to mergers, acquisitions and consolidations, sharia banks must get a permit from Bank Indonesia and be implemented according to law. Banks resulting from mergers, acquisitions and consolidations must become sharia banks. The operational activities of sharia banks in general are collecting and distributing funds to public in the form of financing. Sharia banks are required to have a sharia supervisory board to ensure that the products and contract mechanisms conducted are in accordance with sharia principles.

2.2. Transformation of Sharia Banks

Sharia bank transformation needs to be done to realize the synergy of sharia financial ecosystem. This step can create sharia banks with high competitiveness and contribute significantly to acceleration of national development (Hidayat, 2020).

According to (Hidayat, 2020) there are 3 important points that must be considered for transformation of sharia banks. They are strengthening identity and synergy of sharia financial ecosystem, as well as optimizing the strength of all supporting factors. Related to strengthening the identity of sharia banks, several efforts that must be made are strengthening sharia values, developing unique products with high competitiveness, strengthening aspects of capital, efficiency, and digitizing services.

Regarding the synergy of sharia financial ecosystem, several things that must be sought are synergy with the halal industry, synergy among sharia financial institutions, synergy with sharia social funding institutions, as well as competent ministries and other institutions. Meanwhile, the optimization of supporting factors is carried out through implementation of effective supervisory and policy mechanisms, creation of quality human resources, creation of up-to-date technological infrastructure, and accelerating the level of inclusion and public literacy of sharia banks.

2.3. Government Intervention on The Progress of Sharia Banks

The transformation of sharia banks to increase market share must be supported by government intervention. One form of government intervention is sharia financial inclusion and literacy program. The integrated sharia financial inclusion and literacy program carried out by the government from 2016 to 2019 had achieved the target (National Committee on Sharia Finance, 2019). Therefore, according to National Committee on Sharia Finance (2019) the existence of large-scale sharia banks is needed to increase effectiveness.

There are several choices of steps that can be taken. They are:

- a. Conversion of State Owned sharia banks or private sharia banks.
- b. Mergers among State Owned sharia banks.
- c. Holding State Owned sharia banks.
- d. Formation of State Owned sharia banks with the option of establishing new State Owned sharia banks or strengthening one of existing State Owned sharia banks.

2.4. Theory of Merger, Acquisition, and Consolidation

There are many definitions of merger. However, generally, merger is defined as a combination of two or more companies where only one company still exists (Tarigan et al., 2017). Meanwhile, according to Limited Liability Company Law (2007) merger is defined as a legal act done by one or more companies to merge where assets, liabilities and equity of the merging companies are transferred to the company that receives the merger. Then, the status of a merging company is over by law. An example of a company that has merged is merger of XL as a cellular telecommunication network provider company with AXIS which was done in 2014.

Another form of merger is acquisition. According to Tarigan et al. (2017) acquisition is a type of merger in which one company takes over ownership of another company but the name of company still exists. However, the ownership of company then shifts to the party making the acquisition. Meanwhile, according to the Limited Liability Company Law (2007) acquisition is a legal act done by an individual or legal entity to take over shares of another company which results in the controlling share being transferred to that company. An example of a company making an acquisition is Philip-Morris which acquired PT HM Sampoerna.

Beside merger and acquisition, there is also consolidation. Consolidation is the dissolution or fusion of business entities. Based on the Limited Liability Company Law

(2007) consolidation is a legal act done by two or more companies to consolidate themselves by establishing a new company which based on the law obtains the assets, liabilities and equity of the consolidating companies. Then, the legal status of the consolidating companies is over according to the law. An example of a company consolidating was CIMB with Niaga Bank in 2008.

2.5. Motives of Merger, Acquisition, and Consolidation

Mergers, acquisitions, and consolidations are strategic choices by companies to achieve their goals. In general, (Tarigan et al., 2017) explains that there are two company motives for doing mergers, acquisitions and consolidation. The first motive is to increase the value of company (shareholder gains) which contains motives for growth, operational and financial synergy, diversification, horizontal and vertical integration, improved management performance and ability to pay taxes. While the second motive is the interests of company management (managerial gains) which include Hubris motives and discretion motives.

The Hubris motive is the management's motive that overrides shareholder profits in order to gain profit. While discretion motives are a main managerial focus to increase the size of the company. It is closely related to the increase in the amount of compensation received by managers if the size of company increases.

2.6. Organizational Culture Approach in Merger, Acquisition, and Consolidation

Organizational culture has a very significant role in uniting all individuals in the organization into a social structure and it is implemented by leaders to support strategic change (Tarigan et al., 2017). According to him, there are 4 organizational cultures. They are rational culture, hierarchical culture, development culture, and group culture.

Rational culture is defined as a result-oriented culture or economic goals. Hierarchical culture is a bureaucratic culture. A development culture is culture that relies on innovation and creativity. Meanwhile, group culture is a culture that prioritizes team work to achieve results. A good understanding of these 4 cultures is very important to analyze the position of post-merger sharia banks and the strategic steps that will be taken to achieve the goals.

3. Methods

The research method applied in this research was a descriptive qualitative approach through case studies. Data collection was carried out through direct interviews with informants, namely Director of KNEKS, managers of merged sharia banks (Bank Syariah Mandiri, Bank BRI Syariah, and Bank BNI Syariah) and several experts from sharia economics and finance. Data collection was also carried out secondary through literature studies from journals, text books, and websites and so other literature.

Data analysis applied in this study was internal strategic analysis (Internal Factor Analysis Summary/IFAS) and external strategic analysis (External Factor Analysis Summary/EFAS), internal-external matrix analysis (IE matrix), and SWOT matrix

analysis. Analysis of internal and external strategy of merged sharia banks was given a weight and ranking of importance level on those internal and external factors. Each of the total internal and external factor weights was 1. The total scores of IFAS and EFAS matrices are used to determine position of merged sharia banks so that the strategies that need to be implemented could be formulated.

The indicators in the matrix were internal strengths and external influences faced by merged sharia bank. Analysis of differences in internal and external factors in this study referred to strategy quadrant developed by Rusydiana & Rahayu (2019).

Table 3.1. Analysis of Internal and External Strategies Quadrant

Strategic Techniques	Scores	Quadrant	Strategic Choices
<i>Growth</i>	$S > O$	I A	<i>Rapid Growth</i>
	$S < O$	I B	<i>Stable Growth</i>
<i>Survival</i>	$W > T$	III A	<i>Turn Around</i>
	$W < T$	III B	<i>Guerilla</i>
<i>Diversification</i>	$S > T$	IV B	<i>Conglomerate</i>
	$S < T$	IV A	<i>Concentric</i>
<i>Stability</i>	$O > W$	II A	<i>Aggressive maintenance</i>
	$O < W$	II B	<i>Selective maintenance</i>

Sources : Rusydiana dan Rahayu, 2019

4. Results

4.1. Profile of Indonesian Sharia Banks

Bank Syariah Indonesia (BSI) officially carried out operational activities in Indonesia on February 1 2021. This bank is the largest sharia bank in Indonesia which is a result of a merger of 3 state-owned sharia banks. The three are: Bank BRI Syariah, Bank Syariah Mandiri, and Bank BNI Syariah.

The government of Indonesia as banking regulator implemented merger policy of 3 state owned enterprises sharia banks to enrich the choice of financial service industries for the public and accelerate national economic growth. The performance of 3 state owned enterprises sharia banks which were later merged into BSI was shown in Table 4.1.

Table 4.1. Banking Financial Performance of 3 State Owned Enterprises Sharia Banks and Bank Syariah Indonesia (In Trillion Rupiah)

Explanations	BNI Syariah		BRI Syariah		Bank Syariah Mandiri		BSI Per December 2020
	2019	2020	2019	2020	2019	2020	
Total Assets	44,98	55,01	43,12	57,70	112,29	126,85	239,56
Financing	43,77	47,97	34,12	49,34	99,81	112,58	209,98
Third Partf Funds	32,58	33,05	27,38	40,00	75,54	83,43	156,51

Net Profit	0,6	0,5	0,074	0,25	1,28	1,43	2,19
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Source: Exposure of Bank Syariah Indonesia in Bisnis Indonesia Magazine, February 2, 2021

Based on the explanation in Table 4.1, it was expected that Bank Syariah Indonesia would then be able to develop dynamics of sharia economic activities for the welfare of society. Therefore, management of Bank Syariah Indonesia carried out several strategies including improving quality of business processes, strengthening bank risk management, increasing quality of human resources, and forming digital technology ecosystem.

4.2. Motives of Merger Policy of State Owned Enterprises Sharia Banks

1. Mention motives or reasons for merger of state-owned enterprises sharia banks? Respondents' Answers (Keadepan of Financial Services Sector of Ministry of State Owned Enterprises): a. The merger of state-owned enterprises sharia banks (BNI Syariah, BRI Syariah and Bank Syariah Mandiri) to become Bank Syariah Indonesia (BSI) is a form of the government's commitment to advancing sharia financial ecosystem in Indonesia; b. Strengthening the competitiveness of sharia banks in the midst of national and global banking competition; c. In the long term, this policy will promote Indonesia as one of the world's sharia financial centers.
2. What are some obstacles experienced by state owned enterprises sharia banks during merger process? Respondents' Answers (Keadepan of Financial Services Sector of Ministry of State Owned Enterprises): Merger of state owned enterprises sharia banks is a very complex and multidimensional process. It contains several tough challenges in the process being faced, especially merger process which was carried out during a pandemic and with a fairly short integration time. There are 3 main dimensions of integration carried out in merger process, namely: technology, people & culture and business. The main challenge in a merger is the alignment of changes from these three factors in an integrated manner and in accordance with a mutually agreed upon timeline. In addition, the pandemic period had also become a challenge for merger team to be able to carry out their duties while maintaining health protocols in accordance with established standards. Most of the coordination was done virtually. However, there were several interactions that were carried out offline which were carried out in accordance with standard health protocols.
3. Is there another motives or another reasons for merger of state owned enterprises sharia banks? If You have another reasons, please mention them! Respondents' Answers (Keadepan of Financial Services Sector of Ministry of State Owned Enterprises): Indonesia is a country with a huge market potential for sharia financial services and total Muslim population in Indonesia is 12.70% of total world Muslim population. At least, 44% or approximately 100.000.000 of the total population of Indonesia believe that sharia principles are one of most important preferences in their lives. Thus, merger of state owned enterprises sharia banks is expected to strengthen the competitiveness of sharia banking in the national financial services industry, expand

customer access and literacy through digital technology solutions and networks and be able to provide more complete solutions and products for customers.

4.3. Banking Financial Position of Bank Syariah Indonesia

1. Banking Financial Position of Bank Syariah Indonesia on National Conventional Banks

The position meant was performed in Table 4.2 below.

Tabel 4.2. Banking Financial Position of Bank Syariah Indonesia on National Conventional Banks (In Trillion Rupiah)

No	Total Assets	Third Party Funds	Saving	Financing	Net Profit
1	BRI (1.408)	BRI (1.079)	BRI (459)	BRI (912)	BCA (14.456)
2	Mandiri (1.237)	Mandiri (925)	BCA (449)	Mandiri (805)	BRI (12.335)
3	BCA (1.129)	BCA (895)	Mandiri (354)	BCA (594)	Mandiri (11.508)
4	BNI (854)	BNI (647)	BNI (209)	BNI (569)	BNI (4.874)
5	BTN (381)	BTN (298)	BSI (87)	BTN (239)	CIMB (2.173)
6	CIMB (289)	CIMB (218)	CIMB (71)	CIMB (173)	Mega (1.560)
7	BSI (247)	BSI (216)	Panin (46)	BSI (161)	BSI (1.481)
8	Permata (213)	Permata (156)	BTN (43)	Permata (121)	BTN (920)
9	OCBC (201)	OCBC (150)	Danamon (41)	OCBC (112)	BTPN (770)
10	Panin (190)	Panin (133)	Permata (37)	Panin (111)	Permata (639)

Source : Bank Syariah Indonesia (*Analyst Meeting* Q2, 2021)

Through Table 4.2 above, from aspect of total assets, Third Party Funds, financing distributed, and net profit, Bank Syariah Indonesia was in 7th position. Meanwhile, from saving aspect, Bank Syariah Indonesia was in 5th position on national conventional banking system.

2. Banking Financial Position of Bank Syariah Indonesia on National Sharia Banking Based on World Islamic Bank Ranking

Such position was shown in Table 4.3 below.

Table 4.3. Banking Financial Position of Bank Syariah Indonesia on National Sharia Banking Based on World Islamic Bank Ranking

World Islamic Bank 2020	Ranking in Indonesia	Banks
34	1	Bank Syariah Indonesia*
56	2	Muamalat
70	3	Bank Aceh Syariah

76	4	BTPN Syariah
78	5	Bank Panin Dubai Syariah
80	6	Bank NTB Syariah
84	7	Bank Mega Syariah
85	8	BCA Syariah
86	9	BJB Syariah
91	10	Bank Syariah Bukopin

Source : The Asian Banker, 2021

*Note: Stand alone ranking on 1H 2020

Based on description in Table 4.3, Bank Syariah Indonesia was in 34th position according to World Islamic Bank dan in first position in Indonesia.

3. Banking Financial Position of Bank Syariah Indonesia on Another Sharia Banks in Indonesia

The banking financial position of Bank Syariah Indonesia on another national sharia banks was performed by following Table 4.4.

Tabel 4.4. Banking Financial Position of Bank Syariah Indonesia on Another Sharia Banks in Indonesia(In Billion Rupiah)

No	Total Assets	Financing	Third Party Funds
1	BSI (247.300)	BSI (161.043)	BSI (216.385)
2	Muamalat (51.775)	Muamalat (28.616)	Muamalat (42.674)
3	Bank Aceh Syariah (27.310)	Bank Aceh Syariah (15.747)	Bank Aceh Syariah (23.418)
4	Bank Mega Syariah (17.927)	BTPN Syariah (10.048)	BTPN Syariah (10.613)
5	BTPN Syariah (17.407)	Bank Panin Dubai Syariah (9.572)	Bank Mega Syariah (9.968)
6	Bank Panin Dubai Syariah (11.657)	Bank NTB Syariah (6.886)	Bank Panin Dubai Syariah (8.416)
7	Bank NTB Syariah (11.400)	BJB Syariah (6.152)	Bank NTB Syariah (8.239)
8	BCA Syariah (9.737)	BCA Syariah (5.912)	BCA Syariah (6.851)
9	BJB Syariah (8.893)	Bank Mega Syariah (5.654)	BJB Syariah (6.582)
10	Bank Syariah Bukopin (5.172)	Bank Syariah Bukopin (3.881)	Bank Syariah Bukopin (2.552)

Sources : Bank Financial Reports (June, 2021)

From Table 4.4., based on aspects of total assets, distributed financing, and Third Party Funds, Bank Syariah Indonesia was in first ranking overall.

4.4. Organizational Culture Approach Before Merger of State Owned Enterprises Sharia Banks

1. How was the organizational culture of state owned enterprises sharia banks before merger? Respondents' Answers (Keasdepan of Financial Services Sector of Ministry of State Owned Enterprises): Each state owned enterprises sharia bank has had corporate culture, namely (both acronym In Indonesian or English language):
 - a. Bank Syariah Mandiri: ETHIC (*Excellence, Teamwork, Humanity, Integrity, Customer Focus*)
 - b. BRI Syariah: PASTI OKE (*Profesional, Antusias, Sumber Daya Manusia Berkualitas, Tawakal, Integritas, BerOrientasi Bisnis, Kepuasan Pelanggan*)
 - c. BNI Syariah: AMANAH JAMAAH
2. Is it necessary to change the organizational culture before merger of state owned enterprises sharia banks? If it is necessary to change organizational culture, please give me reason! Respondents' Answers (Keasdepan of Financial Services Sector of Ministry of State Owned Enterprises): As a subsidiary of state owned enterprise banks, corporate organizational culture changes really need to be done. The reason is to respond corporate culture program of state owned enterprises that has been proclaimed by the government. So, we can move and step together simultaneously to achieve the main goal, namely for the prosperity and goodness of the country.
3. What is organizational culture approach done by state-owned enterprises Sharia banks at merger process? Respondents' Answers (Keasdepan of Financial Services Sector of Ministry of State Owned Enterprises): The approach done before merger was synergizing corporate organizational culture by replacing previous corporate culture with AKHLAK Culture, namely: Amanah, Kompeten, Harmonis, Loyal, Adaptif, dan Kolaboratif.

4.5. Data Analysis

1. Internal Strategy Analysis (IFAS) of State Owned Enterprises Shariate Banks After Merger

Internal strategy analysis was applied to determine strengths and weaknesses of state owned enterprises shariate banks after merger by giving weights and ratings to the answers given by respondents. In more detail, the results of analysis were shown in Table 4.5.

Table 4.5. Internal Strategy Analysis of State Owned Enterprises Shariate Banks As Result of Merger (Bank Syariah Indonesia)

Internal Strategy Analysis of Merged State-Owned Sharia Banks (Bank BSI)					
Strengths and Weaknesses					
Strategic Factors		Signifi- cance Level	Weight	Ratings	Score
Strengths	Has more than 15 million customer based	5	0.17	5	0.83
	Have great assets	4	0.13	4	0.53
	Have strong capital	3	0.10	3.8	0.38
	Has more than 20,000 human re-sources on the basis of Islamic banking competence	2	0.07	3.7	0.25
	Has a variety of products	1	0.03	3.5	0.12
Weaknesses	Islamic financial literacy index which is still relatively low at 8.93%	5	0.17	3	0.50
	National economic conditions affected by Covid 19	4	0.13	2.7	0.36
	Possible unification of operational systems failure	3	0.10	2.5	0.25
	Possible failure of implementing the new organizational culture	2	0.07	2	0.13
	Office locations are many and close together, so that it can lead to internal competition	1	0.03	1	0.03
TOTAL		30	1	31.2	3.39

Source: Data Processed, 2021

Based on the data in Table 4.5, the highest strength is from state owned enterprises shariate banks as a result of a merger was ownership of more than 15,000,000 based customers (score 0.83). With large number of customer base, Bank Syariah Indonesia had the opportunity to add the main source of income from business it run. While the lowest strength was product variation (score 0.12). Therefore, product innovation offered by this bank to its customers needed to be done. Especially in various banking products that could be accepted by all levels of society in Indonesia.

In addition, the highest weakness of state-owned enterprises shariate banks was shariate financial literacy index which was still relatively low (score 0.50). Thus, shariate financial literacy of Indonesian people still needed to be increased through a more systematic and measurable socialization of shariate finance through halal industry ecosystem. Meanwhile, the weakness of state owned enterprises shariate banks with lowest score was location of many offices and close proximity which might lead to internal competition (score 0.03). Hence, identification of number of Bank Syariah

Indonesia offices in each province in Indonesia had to be done carefully. This effort was made to reduce total operational expenses of Bank Syariah Indonesia.

2. External Strategy Analysis (EFAS) of State Owned Enterprises Shariate Banks After Merger

External strategy analysis was applied to determine opportunities and challenges of state-owned shariate banks after merger by giving weights and ratings to the answers submitted by respondents. In more detail, the results of the external strategy analysis were shown in Table 4.6 below.

Table 4.6. External Strategy Analysis of State Owned Enterprises Shariate Banks As Result of Merger (Bank Syariah Indonesia)

External Strategy Analysis of Merged State-Owned Sharia Banks (Bank BSI)					
Opportunity & Challenge					
Strategic Factors		Significance Level	Weight	Ratings	Score
Opportunity	Demographics of Indonesia's population of ± 174 are predominantly Muslim	5	0.17	5	0.83
	Halal industry ecosystem	4	0.13	4.8	0.64
	Government support for sharia economic growth	3	0.10	4	0.40
	Expansion of business in all lines	2	0.07	3.8	0.25
	Expanding business overseas	1	0.03	3.7	0.12
Challenge	The development of the digital world is very fast	5	0.17	3	0.50
	Business competition is more open	4	0.13	2.8	0.37
	The number of reliable workers who moved	3	0.10	2.5	0.25
	Non-performing financing from each bank prior to the merger	2	0.07	2.3	0.15
	Maintaining old customers and getting potential customers	1	0.03	2	0.07
TOTAL		30	1	33.9	3.59

Source: Data Processed, 2021

From Table 4.6 above, the highest opportunity for state-owned shariate banks after merger was demographic population of Indonesia with approximately 174,000,000 Muslims as majority (score 0.83). It could be utilized by Bank Syariah Indonesia to gain a larger market share. While opportunity with the lowest score was to expand business abroad (score 0.12). Therefore, Bank Syariah Indonesia needed to select priority scale in

conducting business expansion at early period of merger of 3 state-owned shariate banks, especially in expanding business overseas.

Then, the biggest challenge for state-owned shariate banks as a result of merger was rapid development of digital world (score 0.50). While the smallest challenge was retaining old customers and getting new potential customers (score 0.07). From these data, Bank Syariah Indonesia had to take advantage of halal ecosystem that had been formed by government by transforming banking digital technology to provide ease of use of products for customers, especially in post-pandemic period of Corona Virus19.

3. Internal-External Matrix of State Owned Enterprises Shariate Banks After Merger

Internal and external matrix were applied to determine positions and decide strategies that were formulated by analyzing influence of internal and external factors of state owned enterprises shariate banks after merger. The results were performed in figure 4.1.

Figure 4.1. Internal and External Matrix of State Owned Enterprises Sharia Banks As Result of Merger

		IFAS		
		Strong = (3.00 - 4.00)	Medium = (2.00 - 2.99)	Low = (1.00 - 1.99)
EFAS	High (3.00 - 4.00)	I (3.39, 3.59)	II	III
	Medium (2.00 - 2.99)	IV	V	VI
	Low (1.00 - 1.99)	VII	VIII	IX

Explanation :

	Grow and Develop
	Keep and Maintain
	Sell and Divest

From Figure 4.1, we could view that the final score of the internal analysis of state owned enterprises shariate banks as a result of merger (Bank Syariah Indonesia) was 3.39. While the final score of the external analysis was 3.59. Thus, Bank Syariah Indonesia was in quadrant 1. It meant, Bank Syariah Indonesia was in a condition of growth and it could still be developed. Therefore, the government's motive for merging

3 state-owned enterprise shariate banks to advance shariate financial ecosystem in Indonesia was appropriate. It is expected that with more professional management, Indonesia may become a world center for shariat finance and Bank Syariah Indonesia is an integral part of it.

Furthermore, to determine the strategy to grow and develop Bank Syariah Indonesia, an analysis of differences in internal and external factors is carried out. This is shown in Table 4.7 below.

Table 4.7. Analysis of Internal and External Differences of Bank Syariah Indonesia

No	Strength	Weakness	Differences	Opportunity	Challenge	Differences
1	0,83	0,50	0,33	0,83	0,50	0,33
2	0,53	0,36	0,17	0,64	0,37	0,27
3	0,38	0,25	0,13	0,40	0,25	0,15
4	0,25	0,13	0,11	0,25	0,15	0,10
5	0,12	0,03	0,08	0,12	0,07	0,06
Total Differences	2,11	1,28	0,83	2,25	1,34	0,91

Source: Data Processed, 2021

Based on the display of Table 4.7 we could view that respective scores for the results of the internal and external difference analysis of Bank Syariah Indonesia were: strengths 2.11, weaknesses 1.28, opportunities 2.25, and challenges 1.34. Thus, the strength of Bank Syariah Indonesia was less than the opportunities it had ($S < O$). It meant, Bank Syariah Indonesia was in quadrant I B (stable growth).

In addition, the strength of Bank Syariah Indonesia was more than the challenges it had ($S > T$). Hence, on the other hand Bank Syariah Indonesia was in quadrant IV B (conglomerate). As the conclusion, with stable growth, Bank Syariah Indonesia could carry out a conglomerate strategy to diversify products and then expand to all business lines, including overseas.

Conclusions

Based on the analysis of organizational culture approach and SWOT analysis, some conclusions from this study were: 1. Cultural approach done by Bank Syariah Indonesia by the time of merger was synergy of corporate organizational culture by replacing previous corporate culture with the AKHLAK Culture, namely: Amanah, Kompeten, Harmonis, Loyal, Adaptif and Kolaboratif. 2. Based on the results of internal and external matrix analysis, Bank Syariah Indonesia was in quadrant 1. It meant that Bank Syariah Indonesia was in a state of growth and It could continue to be developed. 3. From analysis of internal and external differences, Bank Syariah Indonesia was in a position of stable growth and conglomeration. Thus, with stable growth, Bank Syariah Indonesia could diversify its products for business expansion to all lines and even abroad.

Some suggestions proposed for the research were: 1. Future research had to be carried out by applying a combination of qualitative and quantitative methods to analyze the performance of Bank Syariah Indonesia in a more comprehensive manner. In this study, the focus was only on motives, position and SWOT analysis of Bank Syariah Indonesia after merger. 2. Bank Syariah Indonesia must optimize its strengths and opportunities to accelerate national economic growth and make Indonesia one of centers of world shariate finance.

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