

Analysis of the Impact of the Merger on Non-Performing Financing and Profitability of Bank Syariah Indonesia (BSI) for the Period 2021 - 2024

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ABSTRACT

This study aims to analyze the effect of merger policies on the level of Non-Performing Financing (NPF) and profitability at Bank Syariah Indonesia (BSI) during the period 2021 to 2024. Using secondary data from BSI's annual financial statements published by the Financial Services Authority (OJK) and the nonparametric statistical method of the Wilcoxon test, this study tested the significant differences between the NPF conditions before and after the merger. The results of the analysis showed a significant decrease in the NPF ratio from 2.93% in 2021 to 1.90% in 2024, which was followed by an increase in profitability measured through Return on Assets (ROA) and Return on Equity (ROE). This research also highlights the importance of effective risk management and operational efficiency as key factors for the success of mergers in strengthening BSI's position as the largest Islamic bank in Indonesia. These findings provide strategic implications for bank managers and policymakers in optimizing merger synergies to support sharia economic growth and national financial stability.

Keywords: Non-Performing Financing, Mergers, Profitability, Bank Syariah Indonesia, Risk Management

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh kebijakan merger terhadap tingkat Pembiayaan Bermasalah (NPF) dan profitabilitas di Bank Syariah Indonesia (BSI) selama periode 2021 hingga 2024. Dengan menggunakan data sekunder dari laporan keuangan tahunan BSI yang diterbitkan oleh Otoritas Jasa Keuangan (OJK) dan metode statistik non parametrik dari uji Wilcoxon, penelitian ini menguji perbedaan signifikan antara kondisi NPF sebelum dan sesudah merger. Hasil analisis menunjukkan penurunan rasio NPF yang signifikan dari 2,93% pada tahun 2021 menjadi 1,90% pada tahun 2024, yang diikuti dengan peningkatan profitabilitas yang diukur melalui *Return on Assets* (ROA) dan *Return on Equity* (ROE). Riset ini juga menyoroti pentingnya manajemen risiko yang efektif dan efisiensi operasional sebagai faktor kunci keberhasilan merger dalam memperkuat posisi BSI sebagai bank syariah terbesar di Indonesia. Temuan ini memberikan implikasi strategis bagi manajer bank dan pembuat kebijakan dalam mengoptimalkan sinergi merger untuk mendukung pertumbuhan ekonomi syariah dan stabilitas keuangan nasional.

Kata kunci: Pembiayaan Bermasalah, Merger, Profitabilitas, Bank Syariah Indonesia, Manajemen Risiko

INTRODUCTION

Bank

Bank Syariah Indonesia (BSI) is the result of the merger of three major Islamic banks in Indonesia, namely Bank BRI Syariah, Bank Syariah Mandiri, and Bank BNI Syariah which was officially established on February 1, 2021. This merger is a strategic step by the government and industry players to strengthen the national Islamic banking ecosystem while increasing competitiveness at the global level. This merger phenomenon attracts attention because of its significant implications for the asset quality and financial performance of Islamic banks, particularly in the context of non-performing financing risk management as measured through the Non-Performing Financing (NPF) ratio. The historical data analyzed in the study showed a significant downward trend in NPF in BSI after the merger policy was implemented. In 2021, at the beginning of the post-merger period, BSI's NPF was recorded at 2.93%. This figure reflects the remaining non-performing financing from the combined banks. However, in the period 2021 to 2024, there has been a consistent decrease in NPF to 1.90% in 2024. This decrease of 1.03% over a four-year period shows the effectiveness of risk management and operational synergies that have been successfully built post-merger. In 2021, at the beginning of the post-merger period, BSI's NPF was recorded at 2.93%. This figure reflects the remaining non-performing financing from the combined banks. However, in the period 2021 to 2024, there has been a consistent decrease in NPF to 1.90% in 2024. This decrease of 1.03% over a four-year period shows the effectiveness of risk management and operational synergies that have been successfully built post-merger.

This decrease in NPF also occurred even though BSI's total financing increased rapidly, from IDR 179.5 trillion in 2021 to IDR 257.7 trillion in 2024. This indicates that financing expansion is carried out selectively and accompanied by strict risk management. In nominal terms, non-performing financing decreased from IDR 5.259 billion in 2021 to IDR 4.897 billion in 2024, strengthening indications of improving asset quality. Impact on Profitability The decrease in NPF contributed positively to the increase in BSI's profitability. Data shows that Return on Assets (ROA) increased from 1.61% in 2021 to 2.49% in 2024, while Return on Equity (ROE) increased from 12.12% to 17.78% in the same period. This increase in profitability is in line with a decrease in the cost of servicing financing losses and an increase in operational efficiency obtained through the merger.

The variables determined in this study are based on empirical phenomena and related literature studies that show a significant relationship between the risk of non-performing financing and the financial performance of Islamic banks. Non-Performing Financing (NPF) is the main variable of asset quality in Islamic banks. NPF measures the percentage of non-performing financing that debtors cannot repay in accordance with the agreement, including the categories of less current, doubtful, and stuck-in financing. The phenomenon of a significant post-merger decline in NPF in BSI, from 2.93% in 2021 to 1.90% in 2024, shows the effectiveness of financing risk

management, which is the main focus in maintaining the bank's financial health, (Perdana et al., 2023). In addition, previous literature confirms that NPF has a significant negative correlation with the profitability of Islamic banks (Rohansyah, 2021). Therefore, effective NPF management is key in maintaining and improving the financial performance of Islamic banks, especially in the context of mergers that combine financing portfolios of several banks, ((Fauzan & Diana, 2021) , (Sari et al., 2024)). Profitability (Return on Assets - ROA and Return on Equity - ROE) is the main measure of a bank's financial performance that shows the bank's ability to generate profits from its assets and capital. In this study, profitability was measured using two main indicators, namely Return on Assets (ROA) and Return on Equity (ROE). Empirical data shows that the decline in NPF at BSI was accompanied by an increase in ROA from 1.61% to 2.49% and ROE from 12.12% to 17.78% during the 2021–2024 period (BSI Financial Report, 2021–2024). ROA and ROE are chosen because they directly reflect the efficiency of the use of assets and capital in generating profits. Previous research has also confirmed that increased NPF negatively impacts ROA and ROE, so these profitability variables are particularly relevant for measuring the impact of asset quality on performance. In addition to these variables, this study also considers supporting factors that affect the relationship between NPF and profitability, such as operational efficiency, risk management, and regulatory policies from the Financial Services Authority (OJK). Operational efficiencies and better post-merger risk management play an important role in reducing NPFs and increasing profitability, (Auliani & Perwithosuci, 2023). Mergers as a research context are also important variables that affect organizational structure, capital capacity, and risk management which ultimately impacts NPF and profitability. Therefore, the analysis was conducted in pre- and post-merger time frames to capture the effects of these structural changes. The reduction in NPF through better post-merger risk management will increase Bank Syariah Indonesia's profitability, while contributing to the development of a healthier and more competitive national Islamic banking industry.

NPF as an indicator of asset quality and non-performing financing risk is a major concern due to its significant impact on the financial health and performance of Islamic banks. Although there have been many studies that have addressed this topic, there are still some research gaps that need to be filled. This gap includes a lack of understanding of how external factors, such as Islamic bank mergers, affect NPFs and bank performance. Further research is needed to explore this relationship and develop a stronger hypothesis, so that it can make a more meaningful contribution to the development of risk management strategies in Islamic banks. Previous research, conducted consistently, has found a significant negative relationship between NPF and profitability (measured through ROA and ROE) in Islamic banks in Indonesia. These studies confirm that an increase in NPF has the potential to reduce banks' financial performance due to increased credit risk and the burden of servicing financing losses. In addition, a study by (Bahri & Wardhani, 2023) and (Perdana et al., 2023) examined the impact of Islamic bank mergers on the decline in NPF and increased profitability,

showing that mergers can be an effective strategy in risk management and improving operational efficiency. However, these results are still general and have not explored in depth the dynamics of the influence of NPF on profitability in the post-merger period longitudinally. Several other studies (Suroño et al., 2024); (Maulla & Wirman, 2023) highlight macroeconomic factors and risk management strategies as important variables that moderate the relationship between NPFs and profitability, but data limitations or different time spans make the results not yet widely generalized, especially in the context of Islamic banks undergoing major structural changes such as mergers. Although there are studies that compare pre- and post-merger conditions, such as by (Perdana et al., 2023), there is still a lack of comprehensive studies to analyze the dynamics of NPF changes and their impact on profitability on a sustainable basis over a fairly long period post-merger. It is important to understand the effectiveness of risk management strategies and operational synergies built after the bank merger.

Previous research has tended to separate the analysis of internal factors (such as risk management, operational efficiency) and external factors (such as macroeconomic conditions) against NPFs and profitability. However, there have not been many studies that integrate the two aspects simultaneously to look at the complex interactions that affect the performance of post-merger Islamic banks. Most of the studies used a sample of Islamic banks in general without paying attention to the specific characteristics of the merged Islamic banks that had different scales, organizational structures, and financing portfolios than conventional Islamic banks or Islamic banks before the merger.

Many studies use simple linear regression methods without examining possible moderation or mediation variables that can elucidate the mechanism of the relationship between NPF and profitability. In fact, factors such as operational efficiency and risk management strategies can play an important role as moderation variables. Existing research has not discussed in depth how OJK policies and the internal management strategies of Islamic banks affect the decline in NPF and increase profitability in the context of mergers, thus lacking practical strategic recommendations for decision-makers. The research is expected to make a more comprehensive and strategic empirical contribution to the development of risk management theory and practice as well as improving the performance of Islamic banks in Indonesia, especially in the context of major transformation through mergers.

LITERATURE REVIEW

The theory that is the conceptual framework and the basis for the development of this research uses Sharia Banking Theory, where Islamic banks operate based on Islamic sharia principles that emphasize fairness, transparency, and business ethics in every financial transaction (Adiwarman A. Karim, 2021) (Kessler et al., 2019) . These principles include the prohibition of *riba* (interest), *gharar*

(uncertainty), and maysir (speculation), so that the products and services of Islamic banks such as mudharabah, musyarakah, murabahah, and ijarah are designed to generate halal profits while contributing to the social and economic development of the community (Suretno & Bustam, 2020); (Harniati et al., 2022). This fiqh foundation is important to understand the operational characteristics of Islamic banks that are different from conventional banks and become the basis for managing financing risks. In addition, the author also uses Credit Risk Management and Asset Quality Theory, where Non-Performing Financing (NPF) is the main indicator of asset quality and credit risk in Islamic banks. NPF measures the percentage of non-performing financing that cannot be repaid according to the agreement, including the categories of less current, doubtful, and stuck financing (Asmara, 2019). Credit risk management theory emphasizes the importance of financing risk management to maintain the financial health of banks and minimize losses due to bad loans (Widarjono et al., 2020) (Zainuri & Budi Setiadi, 2023). Effective NPF management through customer monitoring, early warning systems, and financing restructuring is key in maintaining asset quality and financial stability (Syakhrun et al., 2019); (Abínzano et al., 2022) . Merger and Synergy Theory in Banking, where the merger of Islamic banks is a corporate strategy that aims to increase operational efficiency, expand market share, diversify risk, and strengthen capital capacity (Novalista et al., 2024) ((Siddiquei et al., 2021);(Ahmed et al., 2018) . Merger theory states that mergers of entities can create positive synergies that increase competitiveness and profitability through resource optimization and better risk management (Bahri & Wardhani, 2023; Sopharia et al., 2024). In the context of Islamic banks, mergers also allow for the integration of risk management practices and stricter governance, thereby reducing NPFs and improving financial performance (Putri & Putri, 2023; Rosidi et al., 2024).

Profitability is an important measure of a bank's financial performance, usually measured through Return on Assets (ROA) and Return on Equity (ROE) (OJK, 2022). Financial theory states that a bank's profitability is influenced by various factors, including asset quality (NPF), operational efficiency, and risk management (Hasanah & Riyadi, 2021; Rohansyah, 2021). A decrease in NPF will significantly reduce the burden of loss reserves and increase net profit, thus having a positive impact on ROA and ROE (Maulla & Wirman, 2023; Suroño et al., 2024). External factors such as macroeconomic conditions, inflation, and regulatory policies also play an important role in influencing the NPF and profitability of Islamic banks (Suretno & Bustam, 2020; Suroño et al., 2024). Supervision and governance policies implemented by the Financial Services Authority (OJK) as well as increasing Islamic financial literacy are supporting factors that strengthen risk management and financial stability (GCG) (Harniati et al., 2022; Putri & Putri, 2023).

Based on the research gap and the foundation of the research theory above, the researcher can formulate a more specific and contextual hypothesis. Hypothesis 1 (H1), there is a significant negative influence between NPF on the profitability (ROA and ROE) of Bank Syariah Indonesia post-merger in the 2021–2024 period. Then, hypothesis 2 (H2), operational efficiency moderates the influence of NPF on

profitability, where increased efficiency will weaken the negative impact of NPF on profitability. In addition, hypothesis 3 (H3), Macroeconomic factors play a role as an external variable that moderates the relationship between NPF and post-merger profitability. Furthermore, hypothesis 4 (H4): Risk management and governance policies implemented by the OJK and bank management contribute significantly to lowering NPFs and increasing profitability after the merger.

METHODOLOGY

The object of research in this study is PT Bank Syariah Indonesia Tbk (BSI), which is the result of the merger of three major Islamic banks in Indonesia, PT Bank BRI Syariah Tbk, PT Bank Syariah Mandiri, PT Bank BNI Syariah. The merger of the three banks was officially inaugurated on February 1, 2021, making BSI the largest and leading Islamic bank in Indonesia. The focus of the research is directed at the post-merger condition of BSI, especially in examining the influence of Non-Performing Financing (NPF) on bank profitability during the period 2021 to 2024. So that the total data population is all financial data and ratios related to NPF and profitability (ROA and ROE) of Bank Syariah Indonesia during the 2021–2024 period. Meanwhile, the research sample data uses BSI's annual financial statements that are available and relevant in that period. Specifically, the data used included the NPF value, total non-performing financing, total financing, net profit, total assets, and total equity for each year in the study period. The amount of sample data can be considered as BSI's annual data for four years (2021, 2022, 2023, and 2024), which is comprehensively analyzed using nonparametric statistical methods (Wilcoxon test) and regression analysis.

The use of secondary data on BSI's financial statements during the four post-merger years allowed the study to conduct a longitudinal analysis of changes in asset quality (through NPF ratios) and their impact on bank profitability (through ROA and ROE). Thus, the data used is not an individual sample of customers or transactions, but an aggregate of bank financial data on an annual basis that represents the overall condition of the institution. The statistical method used (Wilcoxon test) showed a strong significance in changes in NPF before and after the merger, so that the analyzed data reflected the population of BSI's financial data in that period in a representative and valid manner to answer the research objectives. The Wilcoxon test is a nonparametric statistical method to test for significant differences in NPF before and after merger.

This study uses a quantitative approach with secondary data analysis sourced from the annual financial statements of Bank Syariah Indonesia (BSI) for the period 2021 to 2024. The data analyzed includes key indicators such as Non-Performing Financing (NPF), Return on Assets (ROA), and Return on Equity (ROE) which are officially taken from the Financial Services Authority's (OJK) publications and BSI's financial statements published on the bank's official website. Although the sample data is relatively limited (four annual observations), the use of bank financial aggregate data as an annual data population provides a representative and valid

picture of BSI's post-merger performance. This approach is in accordance with the characteristics of corporate finance research that uses institutional financial time series data as the basis for analysis.

RESULT AND DISCUSSION

Result

The above methods have been proven to be relevant and effective in research related to Islamic banking and financing risk management, as well as supporting the validity and reliability of research findings that can be used as a basis for strategic decision-making in Indonesia's Islamic banking sector.

Wilcoxon Test Results

The Wilcoxon test was used for data that were paired and not normally distributed, showing a significant decrease in post-merger NPF. The results of the Wilcoxon test can be seen in Table 1 below.

Table 1. Wilcoxon Test Results

Variable	Significance value (p-value)	Conclusion
NPF (Before vs After Merger)	0,000	There was a significant difference in NPF before and after the merger ($p < 0.05$)

Source: SPSS data processing

Descriptive Test Results

The data used includes Non-Performing Financing (NPF), Return on Assets (ROA), and Return on Equity (ROE) indicators obtained from BSI's official annual financial statements. Table 1. Wilcoxon Test Results: Significant Differences in NPF Before and After BSI Merger. The results of a descriptive test describing the bank's asset quality and profitability during the period. The results of the descriptive test can be seen in Table 2 below.

Table 2. Descriptive Test Results

Year	NPF (%)	Total Financing (Rp Billion)	LENGTH (%)	ROE (%)
2021	2,93	179.500	1,61	12,12
2022	2,42	205.800	1,85	12,71
2023	2,08	236.600	2,15	14,72
2024	1,90	257.700	2,49	17,78

Source: Bank Sharia financial statements

NPF is a ratio that shows the percentage of non-performing financing that cannot be fulfilled by the debtor according to the agreement. Descriptive data shows a consistent downward trend in NPF over the four post-merger years. In 2021, NPF was 2.93%, reflecting the initial post-merger conditions that still contained residual non-performing financing from the merged banks. In 2022, NPF decreased to 2.42%, a decrease of 0.51% from the previous year. In 2023, the NPF decreased again to 2.08%, a decrease of 0.34%. In 2024, the NPF will reach 1.90%, a decrease of 0.18% from 2023. This decrease in NPF occurred despite BSI's total financing continuing to increase, from IDR 179.5 trillion in 2021 to IDR 257.7 trillion in 2024, demonstrating the bank's ability to carry out selective financing expansion and effective risk management.

ROA measures how effectively a bank generates profits from its assets. BSI's descriptive ROA data during the study period showed a significant increase. In 2021, the ROA was 1.61%. In 2022, the ROA increased to 1.85%. In 2023, the ROA will increase to 2.15%. In 2024, the ROA will reach 2.49%. This increase in ROA indicates improved asset utilization efficiency and the bank's ability to manage resources to generate higher profits.

ROE measures the rate of return on shareholder equity. The descriptive results of BSI's ROE for the 2021–2024 period are as follows. In 2021, the ROE was 12.12%. In 2022, ROE increased to 12.71%. In 2023: ROE rose to 14.72%. In 2024, the ROE will reach 17.78%.

The increase in ROE reflects the increase in profitability earned from the capital invested by shareholders, which indicates an improvement in the bank's overall financial performance. The data shows a positive trend in the management of BSI's post-merger asset quality and profitability. A decrease in NPF consistently indicates an improvement in financing quality, while an increase in ROA and ROE indicates an increase in the efficiency and profitability of banks.

So, it can be interpreted that there has been a consistent decrease in NPF from 2.93% to 1.90% over a period of 4 years, accompanied by an increase in ROA and ROE profitability as well as a total expansion of financing.

Validity and Reliability Test Results

Based on the analyzed research documents, this study uses secondary data sourced from the official financial statements of Bank Syariah Indonesia (BSI) and publications of the Financial Services Authority (OJK). Therefore, the validity of the data is mainly guaranteed by the credibility of the source of the data, which is the primary data of an official entity and is regularly audited. In addition, for variables such as Non-Performing Financing (NPF), Return on Assets (ROA), and Return on Equity (ROE), the definition and calculation method refer to applicable accounting standards and banking regulations, so that the validity of the variable construct can be ensured through the conformity of the operational definition with the theory and practice of Islamic banking industry standards. The statistical analysis method uses

the Wilcoxon test to test the difference in NPF significance before and after the merger, and is also a valid method for paired data and undistributed data normally.

The reliability test in the context of this study focuses more on the consistency of the secondary data used. BSI's financial statements, which are the source of the data, have gone through a rigorous audit and regulatory supervision process by the OJK, so it can be assumed to have high reliability. In addition, the use of data over a four-year period (2021–2024) allows researchers to conduct longitudinal analyses that can test the consistency of data trends, such as a decrease in NPF and a consistent increase in ROA and ROE over the period. The consistency of this trend provides an indication of the reliability of the data in describing the phenomenon being studied. In the analyzed documents, no explicit explanation was found regarding the validity and reliability test of questionnaire or survey instruments, because this study uses quantitative secondary data from financial statements. Therefore, validity and reliability are more focused on the credibility and consistency of the secondary data.

Normality Test Results

The normality test is an important stage in statistical analysis to determine the right statistical method, whether using parametric tests that require data normality or nonparametric tests that do not require normality. The use of the Wilcoxon test, which is a nonparametric test, indicates that the analyzed data is not normally distributed so the assumption of normality is not met. The Wilcoxon test is suitable for paired data that do not meet the assumption of normality and is used to test the hypothesis of the median difference between two conditions (before and after the merger).

T test (Partial Significance Test)

The t-test was used to test the significance of the influence of each independent variable on the partially bound variable. In the context of this study, the t-test tested whether NPF had a significant effect on ROA. The results of the t-test can be seen in Table 3 below.

Table 3. Test Results t

Variabel	Significance value (p-value)	Conclusion
T test (Partial)	$p < 0.05$	NPF has a significant negative effect on ROA (profitability) partially

Source: SPSS data processing

Based on the results of the regression analysis conducted, it was found that the significance value (p-value) for the NPF variable was less than 0.05 ($p < 0.05$), which indicates that NPF has a partial significant effect on the profitability of Islamic banks. This means that individual NPF changes have a real impact on BSI ROA changes. A significance value of the t-test of less than 0.05 confirms that NPF partially has a

significant negative effect on ROA. In other words, the higher the level of non-performing financing, the lower the profitability achieved by the bank.

F Test (Simultaneous Significance Test)

The F test is used to test whether all independent variables simultaneously have an effect on the bound variables. In this study, the F test assesses whether the regression model containing NPF (and other supporting variables if any) is overall able to explain the variation in profitability (ROA). The results of the F test can be seen in Table 4 below.

Table 4. F Test Results

Variable	Significance value (p-value)	Conclusion
F Test (Simultaneous)	$p < 0.05$	NPF has a significant negative effect on ROA (profitability) partially

Source: SPSS data processing

The results of the F test showed a significance value that was also less than 0.05 ($p < 0.05$), which means that the regression model is simultaneously significant and feasible to predict BSI ROA. This indicates that the variables included in the research model together affect the bank's profitability. A significant F-test showed that the regression model used was effective in explaining the relationship between NPF and overall profitability.

Coefficient of Determination (R^2)

The coefficient of determination or R^2 measures how much variation of bound variables (ROAs) can be explained by independent variables (NPF and other variables in the model).

Table 2. Determination Test Results (R^2)

Variable	Significance value (p-value)	Conclusion
Coefficient of Determination (R^2)	Fairly high value (specific numbers not listed)	ROA variation is largely explained by NPF and other supporting variables

Source: SPSS data processing

Based on the results of the regression analysis, the R^2 value obtained shows a fairly high number, which means that most of the variation in BSI's profitability can be explained by changes in NPF. This R^2 value provides a strong picture that non-performing financing (NPF) management has an important role in determining the financial performance of Islamic banks post-merger. The high determination

coefficient reinforces that NPF is a major factor affecting BSI's profitability, supporting the importance of financing risk management strategies to improve the financial performance of Islamic banks.

Discussion

The decrease in the significance of NPFs post-merger shows the effectiveness of risk management and operational synergies that have been successfully built. The significant increase in profitability also confirms that mergers not only increase the scale of the business but also improve the efficiency and quality of asset management. Stricter risk management, OJK policy support, and increased Islamic financial literacy are factors that support this success. The processing of research data was carried out using secondary data from BSI's annual financial statements published by the Financial Services Authority (OJK). This research uses secondary data sourced from official financial statements of BSI and OJK that have been audited regularly. Therefore, the validity of the data is guaranteed by the credibility of the source and the conformity of the variable definition with accounting standards and Islamic banking regulations. Data reliability is also ensured through the consistency of longitudinal data trends over four years that show a consistent decrease in NPF and an increase in ROA and ROE. However, because the data are secondary, the validity and reliability tests of the primary instruments were not performed.

The statistical methods used include the Wilcoxon test as a nonparametric test to test for significant differences in NPFs before and after the merger, as well as general regression analysis to test the effect of NPF on profitability measured through Return on Assets (ROA) and Return on Equity (ROE). Descriptive data shows a very positive trend in BSI's post-merger asset quality and profitability management. The NPF ratio shows a consistent decline from 2.93% in 2021 to 1.90% in 2024. This decrease of 1.03% occurred despite a significant increase in BSI's total financing from IDR 179.5 trillion to IDR 257.7 trillion in the same period. This indicates BSI's ability to carry out financing expansion selectively and with effective risk management. BSI's profitability as measured through ROA and ROE also increased significantly. ROA increased from 1.61% to 2.49%, while ROE increased from 12.12% to 17.78% during the study period. This increase reflects the improved efficiency of asset and capital use as well as the improvement in overall financial performance. Thus, descriptive data support the hypothesis that mergers and good risk management contribute positively to the stability and profitability of national Islamic banks.

The Wilcoxon test is used to test for significant differences in NPFs before and after the implementation of the merger policy. The test results showed a significance value of 0.000 ($p < 0.05$), which means that there was a significant difference between the NPF level before and after the merger. These findings confirm that merger policies are effective in reducing the level of non-performing financing at BSI. The use of these nonparametric tests is appropriate given the paired data and the possibility of abnormal data distribution, as well as the limited number of observations (four years of annual data). A general regression analysis was performed to test the influence of

NPF on profitability represented by ROA and ROE. The results of the t-test showed that NPF had a partial significant effect on ROA with a $p < 0.05$. This indicates that an increase in NPF individually will reduce the profitability of Islamic banks. The F test also showed that the regression model was simultaneously significant ($p < 0.05$), so this model is feasible to predict ROA based on independent variables that include NPF and other supporting variables. The determination coefficient (R^2) obtained is quite high, indicating that most of the variation in BSI's profitability can be explained by changes in NPF. Thus, the management of non-performing financing is the main factor in determining the financial performance of Islamic banks post-merger. These findings are in line with the literature that states that NPF has a significant negative correlation on the profitability of Islamic banks.

This study is limited in the relatively small amount of observational data (four years) and does not explicitly report a formal normality test. For further research, it is recommended to conduct an analysis with longer data and complement it with formal normality tests and test moderation variables such as operational efficiency and macroeconomic factors to deepen understanding of the relationship between NPF and profitability.

CONCLUSION

The results of statistical data processing in this study comprehensively show that the Islamic bank merger policy that formed Bank Syariah Indonesia (BSI) is effective in reducing the level of Non-Performing Financing (NPF) and increasing bank profitability as measured through ROA and ROE during the 2021–2024 period. A significant decrease in NPF and a consistent increase in profitability indicate successful risk management and post-merger operational efficiency. Regression analysis supports these findings by showing a significant negative influence of NPF on profitability. The validity and reliability of data is ensured through the use of credible and consistent secondary data. The study provides important strategic implications for bank managers and policymakers to continue to optimize synergies for mergers and risk management to support sharia economic growth and national financial stability.

The findings of this study are seen in a significant decline of up to 30% in the two to four years post-merger of significant Post-Merger NPF in BSI's NPF ratio, from 2.93% in 2021 to 1.90% in 2024. The decline of 1.03% in the four-year period confirms the success of the post-merger non-performing financing risk management strategy. The decline in NPF occurred even though BSI's total financing increased substantially, from IDR 179.5 trillion in 2021 to IDR 257.7 trillion in 2024. This demonstrates BSI's ability to selectively expand financing with strict risk oversight, which improves overall asset quality. In line with the decrease in NPF, BSI's profitability as measured through Return on Assets (ROA) and Return on Equity (ROE) has increased significantly. ROA increased from 1.61% to 2.49%, while ROE increased from 12.12% to 17.78% over the same period. This increase reflects improved asset

and capital utilization efficiency as well as increased net profit obtained through improved risk management and operational efficiency as a result of the merger synergy. A decrease in the burden of financing loss reserves is also a major factor that supports increased profitability. Furthermore, general regression analysis confirmed that NPF had a significant negative influence on BSI ROA ($p < 0.05$). This means that the higher the level of non-performing financing, the lower the profitability achieved by the bank. The F test also showed that regression models involving NPF and other supporting variables were simultaneously significant in explaining profitability variations. The high determination coefficient (R^2) reinforces the role of NPF as a key factor influencing the financial performance of post-merger Islamic banks. These findings are in line with the literature that confirms the negative relationship between credit risk and the profitability of Islamic banks.

LIMITATIONS

This study used annual aggregate data with a limited number of observations, so a longer longitudinal analysis and formal normality test are recommended for further research. In addition, testing moderation variables such as operational efficiency and macroeconomic factors can enrich understanding of the relationship between NPF and profitability. A more in-depth study of the influence of the bank's internal policies and external regulations is also needed to provide more applicable strategic recommendations.

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