Comparative Analysis of Financial Performance of Sharia Banks and Conventional Banks

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ABSTRACT

This research objective is to determine the comparison of the economic performance of Sharia Banks and Conventional Banks. This study was conducted at sharia banking and conventional banking institutions indexed on the Indonesia Stock Exchange in 2018-2022. This type of studies is quantitative, the type of information used is secondary data, the statistical collection method used is documentation strategies and the information analysis method is quantitative descriptive methods. The population used is all banks in Indonesia. Meanwhile, figuring out the sample used the purposive sampling method. The records evaluation method was done using the descriptive evaluation testing degree and unbiased pattern t-test evaluation. The research results show that there may be no big distinction between the financial performance of Sharia Banks and Conventional Banks within the 2018-2022 duration.

Keywords: Financial Performance, Banking Institutions, Sharia Banks, Conventional Banks, BEI

INTRODUCTION

In Law Number. 10 of 1998, Banks are businesses that obtain their financial income from citizens in the form of funds and return it to citizens in the form of loans, financing and other forms to promote the safety of the people. In article 1 point 4 of Law Number. 21 of 2008 conventional banks are banks that carry out their business activities in a conventional manner and are sourced from conventional banks and sharia banks. On the other hand, the interpretation of Islamic banks is also shown in Law Number. 21 of 2008, Sharia Banks are financial bodies that work in accordance with sharia law

The main activity of banks is to collect capital from citizens in the form of funds and distribute it to citizens in the form of installments or other forms to improve the standard of living of citizens. For the Law of Numbers. 7 of 1992 which underwent changes with the enactment of Law Number. 10 of 1998 and Law Number. 23 of 1999 concerning Bank Indonesia has placed the burden on Bank Indonesia to prepare regulatory features and bank operational support facilities. This law is under the Dual Banking System application law in Indonesia. Dual Banking System is the implementation of two banking systems (conventional and sharia) side by side, the implementation of which is regulated by various legal regulations. Fahmi (2011) and Thayib (2017), bank financial capacity is an analysis that is carried out to see how well and correctly the bank has implemented financial capacity regulations.

The sharia banking agency is a supporting zone for economic development in Indonesia, namely through sharia banking. Sharia banking is needed and required by the public to support business processes because the sharia banking system is based on sharia principles which are in accordance with the Koran and hadith, this is a comparison with conventional institutions. Not only based on principles, the comparison of profits obtained in Islamic banks is based on results or profit distribution, not from bank interest. The bank's financial information is then calculated using this comparison method to identify the financial capabilities of Islamic banks and conventional banks. After completing the calculations with the comparisons provided, researchers compared the financial comparisons between Islamic and conventional banks to obtain the best results that could be used as capital estimates.

Banking financial indicators are also slightly different from other business fields. The liquidity comparison can be known by dividing the Quick Ratio, Banking Ratio, and Loan to Asset Ratio. The comparison of bank solvency can be known by dividing the Capital Adequacy Ratio, Primary Ratio and Capital Ratio. On the other hand, profitability comparisons can be known by dividing Return on Assets, Return on Equity and Gross Profit Limit. Analyzing financial comparisons can be summed up with several bank financial comparisons, including Non-Performing Loans, Capital Adequancy Ratio, Operational Weight to Operational Income, Net Interest Limit, Loan to Deposit Ratio, Loan to Asset Ratio. By dividing and analyzing comparisons, it is hoped that investors can assess the financial capabilities of the banking sector. As a result, investors obtain data that will be used to carry out comparisons between one bank and another to make investment decisions

METHOD

The research method used is a descriptive method with a quantitative approach, which is a method for comparing the financial capabilities of Islamic banks and conventional banks for the period 2018-2022. The source of information used is inferior information in the form of annual financial information of Islamic banks and conventional banks published by the industry via the Indonesian Impact Money Market (BEI) page www.idx.co.id and related bank websites. The information analysis method used is descriptive analysis and independent sample t-test analysis. Descriptive statistical analysis in this research is used to explain the highest numbers, lowest numbers, in general and the standard digression of the variables being monitored. Independent sample t-test analysis is used to explain the analogy between the performance of Islamic banks and conventional banks.

The population in this research is all banks in Indonesia: sharia banks and conventional banks. The illustration used in this research uses a purposive sampling procedure with the following benchmarks, sharia banking and conventional banking listed on the Indonesian Impact Money Market (BEI). Also, sharia banking and conventional banking publish financial information in 2018-2022 on the IDX www.idx.co.id

RESULTS and DISCUSSION

Based on what has been observed, it can be observed that the financial capabilities of both Islamic banks and conventional banks are different from all comparative calculations. For elasticity, the NPF figure for Sharia Banks from 2018 to 2022 ranges from 0.02% to 83%, as a result, Islamic banking is said to be fresh because the bank's Non-Performing Loans are below 5%. While the ROA ratio in Sharia Banks is said to be good because it is above 1.5%, on the other hand, there are a minority of Islamic banks which have ROA ratios below 1.5% and it could be said that their financial capabilities are not good or not fresh.

On the other hand, the ROE comparison for Sharia Banks has the lowest figure of -94.01% in 2018 and the highest Return on Equity comparison figure is 36.50% in 2022. Meanwhile, the BOPO comparison for Sharia Banks in 2018-2022 is fluctuating due to ranges from 91.35% to 217.40%, this proves that the BOPO ratio is a less good type. After that, the BOPO of Sharia Banks from 2018 to 2022 is around 58.07% - 72.42%, the result is said to be good because it is below 92%. For Bank Indonesia, the BOPO continues to be small compared to the bank's financial capabilities.

On the other hand, the FDR Ratio of Sharia Banks in 2018-2022 ranges from 65.26% to 111.71%. For Bank Indonesia Brochure Orders, determine a good LDR or FDR ratio of at least 50% and maximum 85%-100%. The larger this ratio continues to be, the larger it also shows that the bank's liquidity is shrinking because more budget is allocated for payments or installment financing, whereas the smaller this ratio shows that the bank continues to be liquid.

Not only that, it appears that the NPL ratio of the majority of conventional banks ranges from 0.70% to 3.06% from 2018 to 2022. This certainly indicates that they are in good condition because the NPL is below 5%. Make a comparison of ROA in Conventional Banks which has the lowest figure of 0.54%, whereas the ratio of Return on Assets is the highest at 3.69%. As a result, it can be concluded that conventional banks currently have good ROA ratios, and the greater the ROA ratio, the better their financial capabilities.

After that, it was observed from the ROE comparison that the lowest figure was 2.86% in 2022, on the other hand, the highest Return on Equity comparison figure was 20.49% in 2018. It can also be seen that in the BOPO comparison the lowest comparison figure in 2018 was 66 , 48%, on the other hand, the highest BOPO ratio in 2020 was 93.3%, so it could be said that the financial capacity of conventional banks is in good condition because it is currently below 92%. It appears that the LDR in 2018-2022 ranges from 79.7% to 96.74%.

Looking at the NPL or NPF as a comparison used as an analogy for bad installments with the total installments of money handed over by the bank to customers. If we observe the results of the descriptive statistical analysis, the lowest NPF figure for Sharia Banks is 0.02% and the highest is 4.83%. The NPL figure for conventional banks is very small at 0.70% and the highest is 3.06%. In general, the NPL or NPF of Sharia Banks is 2.1460. On the other hand, in general the NPL or NPF of Conventional Banks is 1.4793.

When compared in general with Sharia and Conventional Banks, the NPL or NPF ratio of Conventional Banks is used because the NPL or NPF ratio figure is smaller than that of Sharia Banks. The NPL or NPF figure is selected with the lowest comparison figure because if the NPL or NPF of a large bank is estimated to be unable to choose customers then there is concern that there will be an impact of bad installments and investors will have to stay away from that industry.

Based on the results of descriptive statistical analysis, for Sharia Banks the comparison figure for Return on Assets is very small at -10.77% and the highest is 13.58%. The ROA comparison figure for Conventional Banks is the lowest at 0.54% and the highest at 3.69%.

When compared, in general the ROA of Sharia Banks is 2.6467 and in general the ROE of Conventional Banks is 2.5680. In the ROE comparison, the highest comparison number was selected, because this figure proves that the company is efficient in managing assets and creating profits. Based on the results of descriptive statistical analysis, the lowest ROE comparison figure for Sharia Bank is -94. 01% and the highest is 36.50%. The lowest ROE comparison figure for Conventional Banks is 2.86% and the highest is 36.50%. The ROE number continues to get bigger so it continues to be good for making profits, if viewed from the general aspect, Conventional Banks have an average of 14,5500 compared to Sharia Banks which is only 1.4040, this proves that the ROE number for Conventional Banks is better than Sharia Banks .

Based on the results of descriptive statistical analysis, for Sharia Banks the lowest BOPO comparison figure was 58.07% and the highest was 217.40%. The BOPO comparison figure for Conventional Banks was very small at 66.48% and the highest was 93.30%. The BOPO figure continues to get smaller so that the industry continues to be good at managing its operational costs, if viewed from the field in general, Conventional Banks have generally smaller numbers, namely 73.6280 compared to Sharia Banks which are 101.3233, this proves that the BOPO figure for Conventional Banks is better from Sharia Bank.

Based on the results of descriptive statistical analysis, in Sharia Banks the comparison number for long distance relationships or FDR which is very small is 65.26% and the highest is 111.71%. The comparison number for long distance relationships or FDR for Conventional Banks which is very small is 79. 70% and the highest is 96.74%. The ratio of long distance relations or FDR continues to be large until a bank continues to be illiquid, on the other hand, the ratio of long distance relations or FDR continues to be small until it continues to become liquid for a bank. When viewed from the field in general, conventional banks have generally very small is 87.3827 compared to Sharia Banks which is 90.1893, this proves that Sharia Banks are better than Conventional Banks. The standard digression in financial capacity acts as a risk analysis for capital decisions, of course the lowest number that will be used in the analysis. Based on the results of descriptive statistical analysis, it can be concluded that conventional banks have a small effect on funding because they have small standard regression figures compared to Sharia banks which have large standard regression figures.

Based on the "Independent Sample T-Test" output, the NPL or NPF comparison figures have F= 11.657 and p= 0.002, so it can be said that Conventional Banks and Sharia Banks are claimed to have variances not assumed (the two variances are different), because the numbers are Sig.(2-tailed) of 0.201.0.05 until the assumption is rejected or it could be said that there is no important comparison between the comparison of NPL or NPF in Conventional Banks and Sharia Banks.

Based on the "Independent Sample T-Test" output, the ROA comparison figure has F= 22,625 and p= 0,000, so it can be said that Conventional Banks and Sharia Banks are claimed to be variance not assumed (the two variances are different), because the Sig. (2-tailed) of 0.966.0.05 until the assumption is rejected or it could be said that there is no important comparison between the ROA comparison of conventional banks and Sharia banks.

Based on the "Independent Sample T-Test" output, the ROR comparison figure has F= 4.653 and p= 0.040, so it can be said that Conventional Banks and Sharia Banks are claimed to be variance not assumed (the two variances are different), because the Sig number. 2-tailed) of 0. 131. The value is 0.05 so the assumption is rejected or it could be said that there is no important comparison between the ROE comparison of conventional banks and sharia banks.

Based on the "Independent Sample T-Test" output, the BOPO comparison figure has F= 6.184 and p= 0.019, so it can be said that Conventional Banks and Sharia Banks are claimed to have variance not assumed (the two variances are different), because the Sig number (2-tailed) amounting to 0.040. The value is 0.05 so the assumption is rejected or it could be said that there is no important comparison between the ROE comparison of conventional banks and sharia banks.

Based on the "Independent Sample T-Test" output, the LDR and FDR comparison figures have F= 7.034 and p= 0.013, so it can be said that Conventional Banks and Sharia Banks are claimed to be variance not assumed (the two variances are different), because the Sig numbers . (2-tailed) is 0.415. The value is 0.05 so that the assumption is rejected or it could be said that there is no important comparison between the comparison of LDR or FDR in Conventional Banks and Sharia Banks.

CONCLUSION

In total, the financial capabilities of Sharia Banks and Conventional Banks are reflected in the 2018-2022 period in a fresh situation in accordance with Bank Indonesia regulations. Simultaneously, Conventional Banks have better capabilities than Sharia Banks as seen from the comparison of Non-Performing Loans or Non-Performing Financing, Return on Equity, and BOPO. On the other hand, partially Sharia Banks have better Return on Assets and LDR or FDR than Conventional Banks. The results obtained are based on testing assumptions using an independent sample t-test on the comparison of NPL or NPF, ROA, ROE, BOPO, and long distance relationship or FDR in Sharia Banks and Conventional Banks in total, there is no significant comparison between the Bank's financial capabilities Sharia with Conventional Banks in the 2018-2022 period

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