



Analysis of Islamic Bank Merger Policy in the Profitability Level of Indonesian Islamic Bank, Kutacane Branch Office

Raisya Hafizah¹, Tuti Anggraini², Nurul Inayah³

^{1,2,3}Perbankan Syariah, Universitas Islam Negeri Sumatera Utara

Abstract: This study aims to analyze the influence of merger policy on bank profitability levels with a case study at Bank Syariah Indonesia (BSI) Kutacane Branch Office. Since the merger of several national Islamic banks into one entity, namely BSI, there have been various changes in both operational and financial performance. One important indicator that is the focus of attention is profitability, which is measured by Return on Assets (ROA), Return on Equity (ROE), and profit margin. This study uses a quantitative approach with descriptive and comparative analysis methods. Data were taken from the financial statements of BSI KC Kutacane before and after the merger, and analyzed using a comparative method. The results of the study indicate that there are significant changes in the level of profitability post-merger. Factors such as operational efficiency, increasing the number of customers, and synergy between business units contribute to increased profitability. However, challenges in adjusting management and system integration also have a temporary impact on several financial indicators. The conclusion of this study shows that the merger policy has a positive impact on long-term profitability, although it requires adjustment and good management in the early stages after the merger. The recommendation given is to increase the focus on optimizing services and managing risks to maintain a positive trend in profitability in the future.

Keywords: Merger Policy, Islamic Bank, Profitability, Indonesian Islamic Bank.

1. Introduction

The development of the Islamic banking industry in Indonesia has experienced significant growth in recent years.(Yudhira, 2023),(Tuzuhro & Rozaini, 2023). One of the important momentum in this industry is the merger of three Islamic banks owned by the State-Owned Bank Association (Himbara), namely Bank Syariah Mandiri, BNI Syariah, and BRI Syariah, which formed Bank Syariah Indonesia (BSI) in 2021.(Dahlan & Wildan, 2022),(Aulia & Nasution, 2022). This merger aims to strengthen national Islamic banking, increase competitiveness at the global level, and optimize the contribution of Islamic banking to the Indonesian economy. On the other hand, profitability is a key performance indicator that shows the bank's ability to generate profits and measure its operational efficiency. High profitability reflects good financial performance and business sustainability. However, the merger process is often faced with challenges in system integration, corporate culture, and asset and liability management that can affect the level of profitability, both in the short and long term.(Yunus et al., 2024),(Yusuf et al., 2025).

Based on Sharia Banking Statistics data published by the Financial Services Authority (OJK), as of January 2019 there were at least 14 (fourteen) Sharia Commercial Banks (UUS), 20 Sharia Business Units (UUS), and 165 Sharia People's Financing Banks (BPRS). Competition between conventional banks and sharia banks is not at a significant level, but sharia banks have their own place in society. This is due to the special characteristics of Indonesia, which has the largest Muslim majority population in the world.(Esfandiari et al., 2021),(Saputri, 2020). However, on the other hand, this privilege may not have any impact if sharia banking does not increase public trust by making in-

Correspondence:

Name: Raisya Hafizah

Email: hafizahraisya168@gmail.com

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novations regarding products, services or new technology that makes it easier for customers and potential customers to be more confident in what sharia banking has provided. (Anggraini & Hasibuan, 2023), (Priandi, nd).

As the main function of Islamic banking, financial distribution is very important for daily operations. As far as we know, a bank is defined as a collector of savings, a distributor of funds, and a provider of services in financial transactions based on Law of the Republic of Indonesia Number 7 of 1992 as amended by Law Number 21 of 2008 which regulates banking. (Nugroho, Sunarmi, Siregar, & Munthe, 2020), (Wiyono, 2022). The performance of Islamic banking in Indonesia currently seems to be still slow, which is more or less influenced by the issue that is widely circulated in the community stating that Islamic banks in Indonesia are still less competent in several areas, especially in terms of capital strengthening, liquidity and efficiency. Due to government turmoil, Islamic banks plan to merge with Bank Syariah Mandiri (BSM), Bank Rakyat Indonesia Syariah (BRIS) and Bank Negara Indonesia (BNI) and change the name of their banks to Bank Syariah Indonesia (BSI). After the merger, there will be an adjustment to the assets that have increased compared to before the merger. The three Islamic banks have merged and the total assets of Islamic banks are estimated to reach 220-225 trillion (INDRI, 2024), (Arie, SH, & National, 2011).

In addition, the condition of each bank is certainly very different. Some are in good condition, some are concerning, and some are just so-so. In 2019, the problematic financing conditions experienced by Islamic banks were much higher than conventional banks. (Pratiwi, 2020), (Virgantara, 2023). Non-performing financing (NPF) at the end of March was 3.44%, while conventional banking non-performing loans (NPL) were at 2.5%. In the previous period, non-performing financing of Islamic banking was even greater. This has an impact on the profitability of Islamic banking which was recorded at only IDR 5.12 trillion in the 2018 period. With an asset level of IDR 316.691 trillion, the return on assets (ROA) was recorded at only 1.28%. Meanwhile, conventional banking ROA touched 2.55% at the end of December 2018 (Hanum & Salman, 2023), (Wahyuni, 2020).

Financial performance data before the merger in 2018 to 2020 shows that ROA, ROE, and NPM in operational Islamic banks experienced fluctuations. (Husaini, Badruddin, & Yusuf, 2023), (Purwanti, 2020). During that period, these three financial ratios did not show a consistent upward or downward trend. ROA increased several times, but in the following year it fell again due to pressure on profitability. For example, Bank Syariah Mandiri's ROA was recorded at 0.88% in 2018, increased to 1.69% in 2019, then fell to 1.65% in 2020. ROE also moved unstably; at BNI Syariah, ROE was recorded at 10.53% in 2018, increased to 13.54% in 2019, then decreased significantly in 2020 to around 9.97% (As-Shiva, 2024), (Hartini, 2020). Similarly, NPM at BRI Syariah was recorded at 2.92% in 2018, increasing to 4.55% in 2019, but rising again to around 12.52% in 2020. This condition reflects that before the merger, the stability and growth of the financial performance of Islamic banks were still not fully strong. (Ramadan, 2023).

2. Research Methods

In this study, a qualitative method of library research approach (literature review) is used which is descriptive and tends to use an analysis method that emphasizes the process and meaning (subjective perspective) to analyze the merger policy of Islamic banks on the level of profitability, with a case study at Bank Syariah Indonesia (BSI) Kutacane Branch Office. In this library research approach, the focus is on documents made by competent and authorized institutions regarding the data being studied. The qualitative approach was chosen because it allows researchers to deeply understand the phenomena that occur in the merger process, as well as its impact on bank profitability from a managerial and operational perspective.

The data collection used by the researcher in this study is the documentation method. By using qualitative data analysis techniques that are carried out during data collection and after data collection is completed in a certain period. Activities in data analysis are

carried out continuously until complete so that the data is saturated. The data analysis used in this study is using data reduction techniques (data reduction), data presentation (data display) and Conclusion/Verification (Conclusion/Verification). With this qualitative approach, research can provide a more comprehensive understanding of the merger policy and its impact on the profitability of BSI KC Kutacane, as well as identifying the challenges and opportunities that arise in the process.

3. Results and Discussion

3.1 Research result

Based on interviews with two sources from BSI KC Kutacane, the merger policy of three Islamic banks into Bank Syariah Indonesia (BSI) is seen as a strategic and appropriate step. According to them, the unification of three large banks was carried out to strengthen competitiveness and make BSI a solid Islamic financial institution, both nationally and internationally.

After the merger, the impact felt was quite significant, both internally and externally. Internally, there were changes in the work system, organizational culture, and network expansion. While externally, the bank's image became stronger so that it was able to attract more new customers. The financial performance of the branch, especially in terms of profitability, showed a positive trend. Although there has not been a direct spike, operational efficiency and an increase in the number of transactions have made a real contribution to branch income. The indicators used to measure post-merger profitability are ROA (Return on Asset), ROE (Return on Equity), and NPM (Net Profit Margin), all three of which showed an increase although not yet significant.

To maintain and increase profitability, the branch implemented various strategies, such as strengthening digital services, increasing public financial literacy, expanding the network of MSME partners, and increasing microfinance programs. However, the post-merger integration process was not without challenges, especially related to the integration of IT systems and differences in work culture from the three previous banks. These challenges were overcome through gradual training and socialization to all employees. Regarding customer responses, initially many customers felt confused by the changes that had occurred. However, over time, they began to get used to it and were satisfied with the services provided. This even had an impact on increasing customer loyalty to BSI. The results of this study are in accordance with research conducted by (Novaldi, 2021) which shows that the Sharia Bank Merger has a positive and significant effect on the level of public trust. With this Sharia bank merger, it has increased public trust in saving at Sharia Banks, this can be seen from the public's encouragement to Sharia Banks to provide better quality and ask Bank Syariah Indonesia to be able to help improve people's standard of living.

The positive impact of the merger is also seen in terms of the development of sharia financial products and services. Currently, BSI KC Kutacane has more choices of sharia products, both financing, savings, and investments, which provide wider benefits to the community. Technology and digitalization play a major role in driving increased branch profitability. Digitalization helps speed up transactions, reduce operational costs, and increase service volume. The BSI Mobile application, for example, is considered very helpful in reaching customers. As a hope for the future, both speakers conveyed that BSI continues to strengthen the quality of human resources, expand sharia financial literacy, and maintain services that are oriented towards the needs of the local community.

3.2 Merger of Indonesian Islamic Banks

On February 1, 2021, coinciding with 19 Jumadil Akhir 1442 H, it marked the historical merger of Bank Syariah Mandiri, BNI Syariah, and BRI Syariah into one entity, namely Bank Syariah Indonesia (BSI). This merger will unite the advantages of the three Islamic banks so as to provide more complete services, wider reach, and have better capital capacity. Supported by synergy with the parent company (Mandiri, BNI, BRI) and

the government's commitment through the Ministry of SOEs, Bank Syariah Indonesia is encouraged to be able to compete at the global level. This merger can also be an answer to issues that have emerged in the world of economics, namely that Islamic banks should be able to become the number 1 bank in Indonesia, considering that Indonesia is a country with the largest Muslim population in the world, but it seems that Islamic banks in Indonesia are not trusted as if they are just mistreated children, who grow up stunted in their own homes, this is because Islamic banks in Indonesia have not been able to overcome the challenges that exist both at the national and international levels. The problems faced by sharia banking before the BSI merger were: (a) The market share of Islamic finance is still low compared to conventional banks; (b) Higher cost structure and low cost efficiency; (c) Risk management is still a major challenge for Islamic banks compared to conventional banks; (d) Low digitalization, for example, mobile banking applications have low ratings and reviews compared to conventional banks.

Of the four challenges faced by Islamic banks, overall conventional banks are superior to Islamic banks in terms of capital, assets and market share, although the Muslim population is larger than non-Muslims, the market share is still dominated by conventional banks. Therefore, in answering the above challenges, it is very necessary to carry out a merger, especially for state-owned banks. The merger of the three Islamic banks is not without reason but is an effort by the Indonesian government to create a proud Islamic bank for Muslims in Indonesia, which is expected to be a new energy in national economic development and contribute to the welfare of the wider community. The existence of Bank Syariah Indonesia is also a reflection of the face of Islamic banking in Indonesia which is modern, universal, and can Ownership Structure. As is commonly known, Bank Syariah Indonesia is a bank resulting from a merger between three Indonesian state-owned Islamic banks, so that the bank's capital comes from the three banks with different percentages.

Where the highest percentage is the main shareholder. The total authorized capital of Bank Syariah Indonesia at the beginning of the merger was 80,000,000,000 shares with a nominal value of Rp40,000,000,000,000.00, where based on the highest capital order owned by PT. Bank Syariah Mandiri (Persero) Tbk with a total of 20,905,219,379 shares with a nominal value of Rp10,452,609,689,500.00, a percentage of 50.83%, PT. Bank Negara Indonesia with a total of 10,220,230,418 shares, a nominal value of Rp5,110,115,209,000, and a percentage of 24.85%, PT. Bank Rakyat Indonesia (Persero) Tbk. 7,092,761,655, a nominal value of Rp. 3,546,380,827,500.00, and a percentage of 17.25%, and other shareholders below 5% including the public with a total of 2,911,095,891 shares with a nominal value of Rp. 1,455,547,945,500.00, a percentage of 7.08%.

3.3 BSI's achievements before and after the merger

Some of BSI's performance achievements before the merger are as follows: (a) Total assets recorded by the Bank in the 2021 financial year reached IDR265.3 trillion, up 10.73% compared to the previous financial year of IDR239.6 trillion. 25 The increase came from investment growth in securities of IDR18.5 trillion or 37.62% and growth in receivables and net financing of IDR13.2 trillion or 18.64%. This increase in assets is proof that after the merger, BSI can outperform other Islamic banks and become one of the Islamic banks ranked 7th in national banking based on total assets owned. This also shows that the assets used for the bank's operational activities are getting bigger. And the increase in assets followed by an increase in other performance results will further increase external trust in BSI's credibility, so that investors are likely to be interested in investing their funds in BSI.

Capital Adequacy Ratio (CAR) In 2021, BSI's CAR increased by 3.85% to 22.09% from 2020 which reached 18.24%. 26 The Bank's capital adequacy ratio as of December 31, 2021 was 9.99%. In accordance with Financial Services Authority Regulation Number 21/POJK.03/2014, the minimum capital adequacy ratio associated with the Bank's risk profile set by OJK is 9.99%. With the Bank's capital adequacy ratio at 22.09%, the Bank's

capital structure has the capability to offset market risk, credit risk and operational risk where the ratio is higher than the OJK minimum adequacy ratio and the Bank's capital structure has complied with OJK Regulations. This means that Bank Syariah Indonesia has managed the Bank's capital well and has sufficient capital to protect against solvency risk.

ROA (Return Of Asset) In 2021 ROA increased by 0.23% to 1.61%, where in 2020 it reached 1.38%.²⁷ This increase shows that the bank's performance has proven effective in using its assets to generate income.

ROE (Return On Equity) In 2021 ROE increased by 2.53% to reach 13.71%, in 2020 it reached 11.18%.²⁸ The increase in ROE was influenced by BSI's increasing assets and also its improving performance. So that the increase in ROE can be used as a consideration for investors to buy BSI shares.

Non-Performing Financing (NPF) Ratio The Bank's gross non-performing financing ratio (before deducting allowance for impairment losses) in 2021 was 2.93%, an increase of 0.05% compared to 2020 which was 2.88%.²⁹ Meanwhile, the net non-performing financing ratio in 2021 was 0.87%, an improvement of 0.25% compared to 2020 which was 1.12%. The collectibility of receivables can be seen from the smooth payment of credit disbursed.

Net Profit Income Margin In 2021 reached 6.04%, there was no movement from 2020 which was also at the same figure of 6.04%.³⁰ The stagnant condition of BSI's NIM is not due to the weakening performance of the bank's internal factors but due to external factors that affect the entire banking industry and this is a natural thing when viewed from the current conditions, therefore to avoid conditions like this BSI is required to always innovate in order to increase NIM as much as possible.

Operating Expenses to Operating Income (BOPO) In 2021, BOPO improved, decreasing by 4.15% to reach 80.46%, whereas in 2020 it reached 84.61%, this proves that the BSI merger is the best strategy/policy taken by the government because in addition to being able to reduce BOPO, the BSI merger is also able to advance and develop Islamic banking, especially BSI itself.

Financing Ratio to Third Party Funds In 2021, there was a decrease in the Financing Ratio to Third Party Funds by 1.13% to reach 73.39%, where in 2020 it reached 74.52%, this is the impact of the extension of the Covid-19 pandemic that hit so that it weakened the world economic conditions which indirectly can reduce the financing ratio and this in a situation like this is not only experienced by BSI but by the banking industry in general.

Equity In December 2021, BSI's equity reached IDR25.0 trillion, an increase of 15.04% compared to the 2020 fiscal year of IDR21.7 trillion. The increase in equity came from the achievement of profit with an increase in retained earnings of IDR2.8 trillion or 41.80%.

BSI's net profit reached Rp3.0 trillion, growing 38.42% compared to the previous year which reached Rp2.2 trillion. Net Profit is dominated by the Bank's income as Mudharib and the Bank's Profit Sharing Rights. This shows that the bank is able to provide its best performance in acting as mudharib.

Office Network In 2021 or the year after the merger was inaugurated, BSI had 1,244 Branch Offices, Sub-Branch Offices, and Cash Offices consisting of 273 Operational Head Offices, 985 Sub-Branch Offices, and 75 Cash Offices spread evenly throughout Indonesia.

Number of Employees After the merger, BSI did not reduce the number of employees, in fact the number of employees increased to 27,950 employees consisting of 19,449 permanent employees and the rest are contract employees spread throughout Indonesia. From several of BSI's performance achievements above, it is proven that the majority of BSI's performance achievements in 2021 increased compared to the previous year, so the researcher can conclude that the merger of Bank Syariah Indonesia (BSI) has proven to have a positive influence and has a major impact, especially on the development of BSI itself.

Several performance achievements of BSI after the merger, as follows: (a) Total assets of Bank Syariah Indonesia (BSI) showed significant growth in the last two years. In 2022,

BSI's total assets were recorded at IDR 305.72 trillion. Then, in 2023, the total assets increased to IDR 354 trillion, growing around 15.67% year-on-year, BSI's Profit (BRIS) Soared 33.88% in 2023, This asset growth shows the positive impact of the merger, as well as BSI's success in expanding services, increasing financing, and collecting third party funds (DPK) effectively. (b) The Capital Adequacy Ratio (CAR) of Bank Syariah Indonesia (BSI) in 2022 was recorded at 26.28%. Meanwhile, until June 2023, BSI's CAR ratio was at 25.35%. This CAR ratio reflects the bank's ability to meet long-term obligations and cover the risk of losses. A CAR value above 20% indicates a strong capital position and BSI's ability to maintain financial stability amidst its business growth. (c) Return on Asset (ROA) Increased from 1.98% in 2022 to 2.34% in 2023. (d) Return on Equity (ROE) Increased from 15.94% in 2022 to 16.88% in 2023. (e) BOPO (Operating Costs to Operating Income) Successfully reduced from 74.96% in 2022 to 71.27% in 2023, indicating increased operational efficiency. Fee-Based Income Increases 12.08% YoY, to IDR 4.20 trillion in 2023. (f) In 2022, Bank Syariah Indonesia (BSI) recorded total financing of IDR 207.70 trillion with the largest portion in the consumer segment (51.24%), followed by wholesale (27.53%) and micro (9.02%). The non-performing financing ratio (NPF gross) was at 2.42%. Meanwhile, in 2023, total financing increased to IDR 240.32 trillion, with the consumer portion increasing to 54.32%, wholesale 28.09%, and retail 17.58%. Financing quality also improved with NPF gross decreasing to 2.08%. (g) In terms of equity, BSI recorded IDR 33.51 trillion in 2022 and increased to IDR 38.74 trillion in 2023. The company's net profit also experienced significant growth, from IDR 4.26 trillion in 2022 to IDR 5.7 trillion in 2023, recording an annual growth of 34%. (h) BSI's office network and number of employees also experienced growth. By 2023, BSI's customer base reached 19.65 million customers, an increase of around 5 million customers post-merger, making it the sharia bank with the largest number of customers in the world. Although detailed data regarding the number of office networks and employees are not explicitly stated, the increase in the number of customers indicates significant operational expansion and infrastructure growth. This increase shows that the merger has had a positive impact on BSI's profitability and efficiency, making it the sharia bank with the largest customer base in the world, namely 19.65 million customers by the end of 2023.

3.4 Discussion

a. Analysis of the Merger of Indonesian Islamic Banks in the Development of Islamic Banking in the Kutacane Branch Office

From the analysis results, this merger has been proven to have a positive impact on the development of Islamic banking in Indonesia. Several performance indicators that have increased include assets, Capital Adequacy Ratio (CAR), Return on Assets (ROA), financing, profitability, efficiency, office network, and number of employees. In addition, this merger also succeeded in reducing Non-Performing Financing (NPF) and Operating Expenses to Operating Income (BOPO). Overall, the BSI merger has made a significant contribution in strengthening the position of Islamic banking in Indonesia and increasing public trust in Islamic banking products. This is supported by research conducted by (Utari, 2022) which states that the merged Bank Syariah Indonesia created a healthy, efficient and competitive Islamic banking system. In terms of employees, the merger had a good impact by making BUMN employees. However, adjusting to the new system and regulations. In terms of customers, expanding reach by increasing the procurement of offices. But it is not yet supported by adequate ATM machines. The merger also has opportunities, namely increasing assets in banking. On the other hand, the merger has challenges, namely that there has been no increase or progress in bank performance in terms of service.

The merger of Bank Syariah Indonesia (BSI) is one of the major strategic steps taken to consolidate the three largest Islamic banks in Indonesia, namely Bank Syariah Mandiri, BNI Syariah, and BRL Sharia. The merger process aims to strengthen the competitiveness of Islamic banking in Indonesia and create a larger and more efficient Islamic

banking entity. Kutacane Branch Office (KC), as one of the branches of Bank Syariah Indonesia, also felt the impact of this merger.

b. Impact of Merger on Operations at KC Kutacane

After the merger, BSI KC Kutacane experienced various changes in operations, including increased efficiency and service integration. Some operational impacts that can be observed are: (a) Improved Services, Integration of services from three major Islamic banks allows BSI to offer more varied products and services to customers. This includes financing products, savings, to more advanced digital services. (b) Operational Synergy, With the merger, there is a unification of resources, including human resources, technology, and operational networks. This synergy aims to increase efficiency and reduce operational costs, which in turn can increase profitability. (c) Rebranding, The rebranding process of three different banks into one BSI entity provides a new, stronger identity among customers in Kutacane. With a more solid brand, public trust in BSI also increases.

Branches such as KC Kutacane will also feel the impact of operational efficiencies generated by the merger, leading to increased profitability, especially through lower cost financing and improved asset quality.

c. Impact on Profitability

(a) Operational Efficiency

One of the main objectives of the merger is to create a more efficient Islamic bank. Reducing duplication of functions and merging infrastructure and technology is expected to increase efficiency and reduce operational costs.

(b) Increase Market Share

With the merger, BSI becomes the largest Islamic bank in Indonesia, which allows for wider market expansion, including in areas such as Kutacane. The increase in the number of customers and business activities contributed to increased profitability.

(c) Product Diversification

More diverse products resulting from the merger of three banks allow for increased revenue, both from the financing sector and third party funds (TPF). This diversification is an important factor in maintaining profitability stability, especially amidst tight industry competition.

The impact of the merger on BSI's profitability, including in branches such as KC Kutacane, is seen in several key financial indicators that improved post-merger. Overall, the BSI merger combines three major Islamic banks (BRIS, BSM, and BNIS), which results in increased economies of scale and operational efficiency.

Several indicators used to measure the impact of the merger on profitability include:

- (a) Return on Assets (ROA), After the merger, BSI's ROA increased to 2.03%, from 1.38% before the merger, indicating an increase in the efficiency of asset use to generate profit.
- (b) Return on Equity (ROE), BSI's ROE increased to 17.66%, indicating that the capital owned is more effective in generating profit.
- (c) Decrease in Cost of Funds, This ratio decreased from 3.40% to 1.57%, which provides benefits in reducing financing costs.
- (d) In-

crease in Net Profit, BSI's net profit after the merger increased by 38%, with a growth of 41% in 2022 compared to the same period in the previous year.

d. Challenges Faced

(a) System Integration

One of the biggest challenges in the merger process is the integration of technology systems from three different banks. In KC Kutacane, this challenge may involve adjustments in core banking systems and digital services, which may cause temporary disruptions in daily operations.

(b) Organizational Culture Adjustment

Each bank has a different work culture. This integration process takes time to align the company culture and increase synergy among employees.

(c) Market Competition

Although BSI has become the largest Islamic bank, competition with conventional banks in areas such as Kutacane remains a challenge. BSI must continue to innovate in products and services to compete with conventional banks that also operate in the same market.

(d) Development of Islamic Banking in Kutacane

a. Improving Sharia Financial Literacy

The BSI merger also encourages increased Islamic financial literacy in the Kutacane community. With government support and educational initiatives from BSI, more and more people understand Islamic financial products and use them.

b. Asset and Customer Growth

Since the merger, BSI has experienced an increase in assets and number of customers, including in Kutacane. This shows the increasing public interest in Islamic banking.

c. Digitalization of Services

BSI has invested in technology to provide digital banking services that are more accessible to customers, including in remote areas such as Kutacane. The use of mobile banking and internet banking platforms helps increase sharia financial inclusion in the area.

The merger policy of Islamic banks in Indonesia, such as that carried out by Bank Syariah Indonesia (BSI) which is the result of the merger of BRIS, BNIS, and BSM, has a significant impact on the level of profitability of the bank. Here are some important points from the analysis of this merger policy: (a) Increased Profitability, After the merger, BSI's profitability level showed a significant increase. This can be seen from the increase in Gross Profit Margin (GPM), Return On Assets (ROA), and Return On Equity (ROE) which were better than before the merger. (b) Operational Efficiency, This merger also helps improve operational efficiency through the integration of resources and technology, which ultimately contributes to increased profitability. (c) Competition with Conventional Banks, With the merger, BSI becomes more competitive in facing conven-

tional banks. This is important to strengthen the position of Islamic banks in the Indonesian banking market.

Impact on Other Islamic Banks: Although this merger brings many benefits to BSI, other Islamic banks may face challenges in keeping up with the technological developments and efficiencies achieved by BSI.

4. Conclusions

The merger of Bank Syariah Indonesia has a positive impact on the development of Islamic banking in the Kutacane Branch Office, especially in terms of operational efficiency, service improvement, and profitability improvement. Although system integration and cultural adjustment challenges remain, BSI has great potential to continue to grow and strengthen its position in the Islamic banking market in the region. In the future, BSI's success in facing post-merger challenges will determine how Islamic banking develops in Kutacane and its surroundings. This study shows that the profitability of Islamic banking is very important in order to carry out banking performance and operational activities. Thus, several variables that can affect the increase in income both internally and externally in banking need to be considered and managed properly. Islamic banking performance is very important so that it is also necessary to pay attention to the planning, management, and provision of critical and competent human resources so that the goals of Islamic banking itself can be achieved. Thus, the merger of Bank Syariah Indonesia is expected to continue to provide a positive contribution to the development of Islamic banking in Kutacane and other areas, through improved services, efficiency, and sustainable product innovation.

The results of this study provide strategic implications for the central management of Bank Syariah Indonesia in evaluating the success of mergers at the branch level. Financial indicators such as improvements in ROA, ROE, and operational efficiency at KC Kutacane can be used as parameters for measuring success that can be replicated in other work units. Therefore, central management is advised to develop a data-based branch performance monitoring system that is integrated with post-merger KPIs. In addition, to strengthen branch performance after the merger, there are several concrete recommendations that can be adopted by other branches with similar conditions: (1) acceleration of service digitization to drive financial inclusion and operational efficiency, (2) cross-organizational culture training to overcome resistance to post-integration changes, and (3) strengthening Islamic financial literacy to local communities to expand the customer base. With this best practices-based replication approach, central management can ensure that the positive impact of the merger is not only centralized at the head office, but evenly and sustainably distributed across the national branch network.

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