

Comparison Model , Stabilization, And Finance Performance Of Sharia Commercial Bank And Conventional Commercial Bank In Indonesia In 2012-2016

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ABSTRACT: The aim of study was determine the difference in business model, banking stability, and financial performance of Islamic banks and conventional banks around period 2012-2016.

Thus study used quantitative research method. The populations of this research are Islamic banks and conventional banks in Indonesia. This research used three Islamic banks and six conventional banks which have commercial banking business model type as a sample, the analyzed by comparative analysis test using Independent Sample t-test and Mann Whitney test.

The comparative analysis result in business model showed that there are differences in secondary banking, that is fee based income, while there showed no differences in primary banking, that are third-party fund ratio and financing to deposit ratio. There was showed no difference in banking stability measured using z-score. There was no difference in financial performance measured using net profit margin.

Keywords: business model, banking stability, financial performance, commercial banking

1 INTRODUCTION

The released of Act No. 21 year 2008 about Islamic banking made islamic banking in Indonesia has legal basis and become a competitor to conventional banks which firstly exist. Banking industry should do innovating a business model in order to become excellent than the competitors, so that competitive advantage is created. Banks, about winning the competition with other banks have to apply different business model to attract customers keeping their funds to the bank.

Therefore, this study aimed to compare business model, stability, and finance performance sharia commercial banks and conventional commercial banks, to know the differences of business model among commercial banking type and bank stability level among sharia commercial banks and conventional commercial banks. So that the researchers used Comparison Business Model, Stabilization, And Finance Performance Sharia Commercial Bank And Conventional Commercial Bank In Indonesia In 2012-2016 for the title.

2. THEORETICAL BASES

According to Muhammad (2005:1) islamic bank is a bank that operates by not relying on interest,

operating activities and its products developed based on Alquran and Hadits. Thus, islamic bank is a financial institution which providing financing and other payments services adjusted to Islamic principle as main business.

The existence of islamic banks in Indonesia is over viewpoint that interest system applied in conventional financial institution is haram (forbidden) according to Islam. So that, Islam tried to find solution to avoid ribawi practice in interest based financial mechanism, hence the most important difference among islamic banking and conventional banking is interest system and profit sharing system application (Sumar'in, 2012:59).

According to Ismal (2012) there are five business model types in banking industry grouped by activity, financial purpose, customer segment, special purpose, and channel. In this study, business model type will be studied is the type of business model of banking in terms of activity. The type of business activity model in questioned is the main banking activities that used generally in banking industry is bank as investment bank (investment banking), commercial bank activities, and universal banking activities (universal banking).

Banking system stability is an important part of finance system. The policy formulated by Central

Bank, keeping banking system stability basically is an effort to create, maintain, and conserve bank existence, both individually and system, as precondition running good economy (Hadad dkk, 2004). According to Crockett (1997) banking stability defined the absence of unstable situation where economy performance potentially handled by banking asset price fluctuate or banking institutions inability to meet its contract liabilities.

Finance performance is a picture of successful firm achievement. Finance performance is an analysis to know how far the firm use finance rules properly (Fahmi, 2012:2). Financial statement is a report that shows the firm financial condition for now or certain period. Financial statement shows current condition of the firm. Usually, it is made per period, three or six months.

Ratio analysis of business model in this research use fee based income (FBI) ratio, loan to deposit ratio (LDR) and/or financing to deposit ratio (FDR). Third Party Fund growth, z-score used to count bank stability level, and net profit margin (NPM) as finance performance indicator.

3. RESEARCH METHODS

This study uses quantitative approach. Based on problem formulation, the variables in this research are (1) fee based income ratio (FBI), (2) Financing to Deposit Ratio (FDR), (3) Third Party Fund (DPK), (4) Z-score, (4) Net Profit Margin (NPM). Type of data that used in this research is secondary data such as annual reports in December 31st 2012 to December 31st 2016 have been published in each banks website. Another data resource used in this research such as books, literatures, previous researches, and article from internet. This research used panel (pooled) data to collect data, because it involved many samples on each period (cross section) and time (time series).

This research used purposive sampling to determine the samples. The selection criteria for this research are (1) sharia commercial bank and conventional commercial bank in Indonesia those have commercial banking business model type, (2) excluding BPD and foreign bank having branch offices in Indonesia, (3) sharia commercial bank and conventional commercial bank those have comparable assets >26 trillion and ≤79 trillion around, (4) sharia commercial bank and conventional commercial bank those published their annual report in period 2012 to 2016.

Collecting data procedure done by researcher are indirect method of data collection and literature study. Analysis data technique in quantitative research uses statistical analysis. This research used two stages in analyzing data, mentioned descriptive analysis and inferential statistic.

4. FINDINGS AND DISCUSSION

After conducted descriptive analysis continued by conducting an indicator analysis to measure business model and stability in sharia commercial bank and conventional commercial bank, continued by normality test which become requirement before doing difference test.

Data of normality test is fee based income (FBI) ratio, financing to deposit ratio (FDR), net profit margin (NPM), Third party fund (DPK) growth, and z-score on sharia commercial banks and conventional commercial banks during the period December 31st 2012 - December 31st 2016 can be seen in the table below:

Table 1
Normality test

Variables	Categories	DF	Statistic	Sig	Explanation
FBI	Conventional	30	0,889	0,004	Not normally distributed
	sharia	15	0,850	0,017	Not normally distributed
FDR	Conventional	30	0,895	0,006	Not normally distributed
	sharia	15	0,933	0,304	Normally distributed
NPM	Conventional	30	0,920	0,027	Not normally distributed
	sharia	15	0,630	0,000	Not normally distributed
DPK	Conventional	30	0,932	0,057	Normally distributed
	sharia	15	0,963	0,747	Normally distributed
Z-score	Conventional	30	0,924	0,034	Not normally distributed
	sharia	15	0,680	0,000	Not normally

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Source: SPSS test result (processed)

The result of normality test explains that FBI, NPM, z-score are not normally distributed because they have significance value less than 0,05, while for FDR variable in one category has a significance below 0,06 so that it can be stated FDR variable is also not normally distributed, and for DPK variable its two categories has higher significance than 0,05 so that can be stated it is normally distributed.

The result of normality test above can be concluded that DPK variable can be conducted difference test using *t* test because of has met the requirement of *t* test, meanwhile for FBI, FDR, NPM, and z-score variables can be conducted difference test using mann-Whitney test because of are not normally distributed.

4.1 Difference test

4.1.1 Difference test of Fee based Income Ratio (FBI)

Table 2

FBI difference test using Mann-Whitney test

Variables	Rank	Sig	Explan- ation
Conven- tional	27,03	0,000	H0 ac- cepted (there is a difference)
Sharia	13,13		

Source: SPSS test result (processed)

Based on difference test using Mann Whitney test result in table 2 known that significance value of FBI variable is 0,000 or smaller that 0,05, thus indicates that there is difference in business model among sharia commercial bank and conventional commercial bank on secondary banking side.

4.1.2 Difference test of Financing to Deposit Ratio (FDR)

Table 3

FDR difference test using Mann Whitney test

Varia- bles	Rank	Sig	Explan- ation
Conven- tional	25,7	0,075	H0 re- jected(there is no difference)
Sharia	18,07		

Source: SPSS test result (processed)

Based on difference test using Mann Whitney test result in table 3 known that significance value of FDR variable 0,075 or higher than 0,05. The result indicates that there is no difference in business model among sharia commercial bank and conventional commercial bank on financing function side, in other words H0 is rejected.

4.1.3 Difference test of Third Party Fund growth

Table 4

Third Party Fund growth difference test using Independent Sample Test

Var- iables	Levene's test		Sig	Ex- plana- tion
	F	Sig		

DPK	Equal- variance assumed	9,001	0,004	0,756	H0 re- jected (there is no differ- ence)
	Equal- variance not as- sumed			0,689	

Source: SPSS test result (processed)

Based on difference test using independent *t*-test known this variable has Levene's test significance 0,004 smaller than 0,05 thus H0 is rejected and test result by equal not variance assumed is used. Based on difference test using Independent Sample *t*-test conducted to Third Party Fund variable shows significance value of equal not variances assumed variable is 0,689. It is higher that 0,05 thus shows that there is no difference in primary banking business model among sharia commercial bank and conventional commercial bank in funding function point of view, in other words H0 is rejected.

4.1.4 Difference test of z-score

Table 5

z-score difference test using mann Whitney test

Variable	Rank	Sig	Explan- ation
Conven- tional	25,7	0,075	H0 re- jected (there is no difference)
Sharia	18,07		

Source: SPSS test result (processed)

Based on difference test using Mann Whitney test result in table 5 known that significance value of this variable is 0,373 higher than 0,05. The result indicates that there is difference in stability among sharia commercial bank and conventional commercial bank, in other words H0 is rejected.

4.1.5 Difference test of Net Profit Margin (NPM)

Table 6

Net profit margin (NPM) difference test

Variable	Rank	Sig	Explan- ation
Conven- tional	28,40	0,000	H0 ac- cepted (there is difference)
Sharia	12,20		

Source: SPSS test result (processed)

Based on difference test using Mann Whitney test result in table 6 known that significance value of NPM variable is 0,000 smaller than 0,05. The result indicates that there is difference in finance performance among sharia commercial bank and conventional commercial bank, in other words H0 is accepted.

4.2. Discussion

Based on difference test result using Mann-Whitney test has been done before, the result for fee based income ratio, financing to deposit ratio, net profit margin, Third Party Fund, and z-score are as follows:

Table 7
Difference test result

Variables	Difference test result	Explanation
FBI	H0 accepted	There is difference
FDR	H0 rejected	There is no difference
NPM	H0 accepted	There is difference
DPK	H0 accepted	There is no difference
z-score	H0 rejected	There is no difference

Source: SPSS test result (processed)

4.2.1 Fee Based Income Ratio (FBI)

Based on Mann Whitney test has done showed that both categories sharia commercial bank and conventional commercial bank in period 2012 to 2016, there is difference in bank servicing function, that is fee based income due to conventional commercial bank is higher than sharia commercial bank in period 2012 to 2016. Another research done by Beck et al., (2012) showed that fee based income in islamic bank is higher than conventional bank.

The fee based income of islamic bank is higher than conventional, indicates the conventional commercial bank has more developed secondary banking business model, seen from services and banking products offered which more complete. They are collection, credit card, ATM, garage bank, letter of credit, spot and derivative transactions, etc. spot and derivative transaction makes income received by bank increasingly high, while income services in sharia commercial bank relatively cannot be maximized due to spot and derivative transaction is haram (forbidden) in Islam.

The low Fee based income ratio in sharia commercial bank, shows secondary banking business model in sharia commercial bank is less developed due to focusing on primary banking, thus running secondary bank not yet maximum.

4.2.2 Financing to deposit ratio (FDR)

Based on Mann Whitney test has done can be known that two kind of banks in period 2012 to 2016 there was no difference in primary banking business model. Beck et al. (2012) found that business model among islamic banks and conventional banks are not too different, but islamic banks has higher intermediation ratio compare to conventional banks.

The absence of differences in the FDR and / or LDR sides in sharia commercial banks and conventional commercial banks shows that both commercial banks, namely sharia commercial banks and conventional commercial banks, have operated their primary banking business model as commercial banking well with the provisions set by the Bank Indonesia as the monetary authority, that FDR and/or LDR is at the

level of 85% -110% in Circular Letter of Bank Indonesia no. 26/5 / BPPP dated May 29th, 1993, but the LDR ratio in conventional commercial banks are over the safe limits set, indicates that conventional commercial banks are too aggressive in providing credits due to the exceeding the safe limits set by Bank Indonesia, while in sharia commercial banks are more selective in providing financing so that its financing functions fall into the safe category.

4.2.3 Third party fund

Based on independent t-test conducted before, the result from both categories of sharia commercial banks and conventional commercial banks in 2012 to 2016 shows that there are no differences in primary banking business model as measured by the growth of third-party funds. The absence of any disparity from the growth of third-party funds owned by sharia commercial banks and conventional commercial banks has been well implemented and maximized its primary banking model business in the financial function. This is proved by the growth of third-party funds in sharia commercial banks that are equal to the growth of the conventional commercial banks and even though islamic banks are relatively new compared with conventional banks, the growth of third-party funds in sharia commercial banks are indicating a positive growth of third-party funds compared to those conventional commercial banks and some other banks that suffers negative growth. This result also implies that the public has entrusted their funding to sharia commercial bank that in its operation exclude systems of interest or usury.

4.2.4 Z-score

Based on test conducted before, could be stated from both categories of sharia commercial banks and conventional commercial banks in 2012 to 2016 shows that there are no differences in bank stability as measured by using z-score. The result from descriptive analysis shows that sharia commercial bank has higher z-score value indicates sharia commercial banks are more stable.

The absence of any disparity of z-score value in both categories of sharia commercial banks and conventional commercial banks illustrates to those sharia commercial banks and conventional commercial banks have managed risks they faced well. Banks as intermediary institution will always facing many risks and return in their business activity. Risks related to bank stability. Bank stability is measured by using z-score. The higher z-score value indicates the more stable of banks. The average value of z-score in sharia commercial banks are higher than conventional commercial banks, this condition reflects that sharia commercial banks are more stable and the smaller value of z-score the closer to bankruptcy. Sharia commercial banks are more stable due to prohibition haram transactions, such as spot and derivative transactions which contain gharar and gambling as they are risky transactions.

4.2.5 Net profit margin (NPM)

Based on the result of Mann Whitney test conducted before could be stated that there are differences on finance performance to those sharia commercial banks and conventional commercial banks. The result in this research supported by research done by Winar (2016) who found there are differences on finance performance in terms of efficiency among sharia commercial banks and conventional commercial banks as measured by NPM ratio.

There is disparity in NPM ratio side owned by sharia commercial banks and conventional commercial banks due to sharia commercial banks have smaller net profit compared to conventional commercial banks in 2012 to 2016 thus performance efficiency is affected by amount of operational income and how far banks can use it maximally followed by emphasis on unforeseen expenses. The higher of NPM ratio proved the higher of bank efficiency to gain profit from its operational activities. Therefore, sharia commercial banks should get maximum operational income, and always be based on guideline set according to sharia.

5. CONCLUSION

Based on the result of this research and discussion on chapters before, can be concluded as below:

1. Based on difference test ($\alpha = 0,05$) in 2012-2016 stated that there is difference on model business in secondary banking function among sharia commercial banks and conventional commercial banks in Indonesia as measured by fee based income ratio
2. Based on difference test ($\alpha = 0,05$) in 2012-2016 conducted before, shows that there is no difference on model business in primary banking function among sharia commercial banks among conventional commercial banks as measured by financing to deposit ratio (FDR) and/or loan to deposit ratio (LDR) ratio.
3. Based on difference test ($\alpha = 0,05$) in 2012-2016 conducted before, shows that there is no difference on model business in primary banking function among sharia commercial banks among conventional commercial banks in Indonesia as measured by growth of third party fund.
4. Based on difference test ($\alpha = 0,05$) in 2012-2016 conducted before, shows that there is no difference in bank stability among sharia

commercial banks among conventional commercial banks, but the value of z-score in convention commercial banks are higher, thus sharia commercial banks are more stable.

5. Based on difference test ($\alpha = 0,05$) in 2012-2016 stated that there is difference on model business in finance performance among sharia commercial banks among conventional commercial banks in Indonesia as measured by Net Profit Margin (NPM) ratio.

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