Abstract: This study aims to determine the opportunities and challenges with the merger of 3 BUMN Sharia Banks into Indonesian Sharia Banks (BSI). This study uses the BOCR (Benefit, Opportunity, Cost, and Risk) approach, part of the Analytical Network Process (ANP) approach. Through this approach, the priority value for each aspect (BOCR) will be obtained. The results of the study show that the Cost aspect has a priority value of 0.261. The benefits aspect (0.257), the risk aspect (0.244), and the lowest priority is the Opportunity aspect with a value of (0.236). Meanwhile, the priority strategy for the merger of these 3 BUMN Islamic Banks is professional Human Resources (HR).

Keyword: Merger, Islamic Bank, BOCR

INTRODUCTION

Merger are not a new problem in the banking world in Indonesia. Bank Mandiri, for example, is the result of a merger of the Indonesian Export-Import Bank (Exim Bank), State Dagang Bank (BDN), Bumi Daya Bank (BBD), and the Indonesian Development Bank (Bapindo). Recently, February 1, 2021, to be exact, became a new history for the world of Islamic banking in Indonesia after approximately 20 years of playing a role in improving the Indonesian economy. This was marked by the merger of 3 state-owned Islamic banks consisting of BRI Syariah, BNI Syariah and Mandiri Syariah to become Bank Syariah Indonesia (BSI).

Indeed, Indonesia should have a large Islamic bank to increase the inclusion and financial literacy of the Indonesian people. As revealed by (Ahdizia et al., 2018), realizing large Islamic banks is necessary to welcome the ASEAN Economic Community (AEC). Therefore, Islamic banks in Indonesia are ready to compete with other Islamic banks in ASEAN because of the synergy value when the three banks merged. The President of the Republic of Indonesia, Ir. Joko Widodo, that the Islamic finance industry is a sleeping giant. The current government has a big concern to awaken this sleeping giant by building one of the largest Islamic banks in Indonesia. (Utami, 2021)
However, the condition of the world community, including Indonesia, is currently facing the Covid-19 pandemic. The impact of the COVID-19 pandemic has certainly reduced the performance of the world economy. In the global banking sector, the Covid-19 outbreak has had an adverse impact on financial performance across various financial performance indicators (i.e., accounting-based and market-based performance measures) and financial stability (i.e., high-risk indicators including default risk, liquidity risk, and asset risk). (El nahass et al., 2021). Islamic banking is also affected because the decline in company performance affects the decline in banks, including Islamic banks, especially the probability effect (Sutrisno et al., 2020).

Various studies that have been carried out show results that the merger has a positive and negative impact. The positive impact of the merger can be seen from the attractiveness of increasing profitability and greater market share. Merged banks may be in a stronger position to face competition from other banks and financial services companies. Mergers can also reduce a company or bank (Shanmugam & Nair, 2004). Mergers can also improve the welfare of corporate partners (Montgomery & Takahashi, 2020). Besides that, this bank merger will be able to stabilize individual banks and reduce risk (Hassan & Giouvris, 2021). The post merger banks can sustain the market risk exposure from the global financial crisis (Ab-Hamid et al., 2018)

However, another opinion was put forward by (Yusuf & Raimi, 2019) that independent banks outperform merged banks. Likewise, a study conducted by (Kandil & Chowdhury, 2014) that mergers and acquisitions of Islamic banks have a negative effect on the performance of Islamic banks in the long term. (Yusuf & Raimi, 2019) found no positive relationship between bank mergers and acquisitions with bank asset turnover. Besides that, with the merger of a bank, the financial system can become fragile because the individual risk of a bank is reallocated throughout the system (Wagner, 2010)

Of course, the results of these studies need to be taken into account and in-depth study, whether the merger of the 3 state-owned banks will become progress and blessings for Islamic banking in Indonesia or vice versa, it will become a disaster that brings setbacks and problems for Indonesia. Therefore, the authors are interested in conducting a study on the formation of the Indonesian Islamic Bank as a result of the merger of 3 state-owned state-owned banks through the Benefit, Opportunity, Cost, and Risk (BOCR) approach. BOCR is part of the Analytical Network Process (ANP) method by describing the benefits, opportunities, costs, and risks of the problems studied. So that through this study it will be found the priority values and how the strategy in the development of Indonesian Islamic Banks will be.

THEORETICAL REVIEW

Merger

Mergers and acquisitions have long been important alternatives to institutional expansion (Kandil & Chowdhury, 2014). The acquisition places more emphasis on the best possible performance for the stakeholders involved. While shareholders of target Islamic banks generally
enjoy positive short-term returns, investors in bidding on Islamic banks often experience underperforming share prices in the months following the acquisition, with negligible gains in overall wealth for portfolio holders. (Cartwright & Schoenberg, 2006).

A merger is a strategy carried out by an organization in managing interdependence (Pfeffer, 1972). A merger is understood as an effort to unite two or more companies through the transfer of assets and liabilities of one company to another company (Hudayati, 1997). The process that must be passed by a company that wants to run a target company merger is:

a. Identify the target company
b. Hold a contract with the target company to obtain information
c. Make a feasibility study
d. Set the offering price and payment method.

As for the merger of a bank, the steps that can be taken are:

a. Relevant bank initiatives
b. Bank Indonesia Request
c. Special agency initiatives that are temporary in the context of bank restructuring.

**Sharia Bank**

Sharia Bank is an entity or business whose activity is to collect public funds in the form of savings and distribute them to the public in the form of credit funds or other forms to improve the people’s standard of living. The purpose of Islamic banks is to support the implementation of national development to improve justice, togetherness, and equitable distribution of people’s welfare.

According to the business scale, Islamic financial institutions are divided into several types, including: (i) Sharia Banks, namely banks that run their business based on sharia principles, (ii) Sharia Commercial Banks (BUS), namely Islamic banks whose business activities provide services in payment traffic, (iii) Sharia People’s Financing Bank (BPRS) which is a sharia bank that does not provide payment traffic services in its operational activities and (iv) Sharia Business Unit (UUS) which is a work unit under the authority of a Conventional Commercial Bank head office that runs its business based on sharia principles. (Muthaher, 2012).

**LITERATURE REVIEW**

Several studies have discussed the merger of these three Islamic Commercial Banks in various aspects. For example (Wiyono, 2016) discusses the impact of the merger of three Islamic Commercial Banks through a normative legal approach. The results found that the merger of these three Islamic banks positively impacted the business, namely being more effective and competitive, expanding business diversification, having the capacity to finance large projects, and better
financial performance. Besides, it will also lead to a better reputation for customers. As well as other supporting aspects, they will have the ability to invest in technology, research, and promotion.

Besides that (Atikah et al., 2021) highlighting the strengthening of the merger of state-owned Islamic banks into BSI. The results of his research show that strengthening the merger of Islamic commercial banks amid a pandemic is the right step to maintain the country's economic stability. (Biasmara & Srijayanti, 2021) explained the performance measurement of 3 state-owned Islamic banks before the merger, which showed that the three Islamic Commercial Banks had a satisfactory performance. (Tyas & Rusydiana, 2021) also highlights the pre-merger of Islamic banks in terms of efficiency. The study results show that if three Islamic banks are combined, the bank's performance will not be efficient, namely with an efficiency score of 0.86.

Based on some of the studies above, there are differences from the studies that the author did. The difference can be seen from the method used, and the variables or aspects studied. The author's study focuses on the priority of opportunities and challenges of this Islamic bank merger through the BOCR approach. So that it will be found what aspects are priorities with the merger of this Islamic bank, besides that, it will also determine the priority strategy for the merger of this Islamic bank.

**RESEARCH METHOD**

The method used in this study is a qualitative method that aims to provide views of the selected respondents. The Analytical Network Process (ANP) approach is used, which aims to determine priorities for the merger of 3 BUMN Sharia banks into (BSI). ANP is a process of making decisions (decision making) mathematically to realize priorities without assumptions of independence on higher elements against lower elements. (R. W. Saaty, 2016). The use of BOCR, which is part of the ANP with the decision-making process, looks at the positive/beneficial aspects and negative/unfavorable aspects (T. L. Saaty & Vargas, 2006). The analysis of the merger of 3 state-owned Islamic banks is based on positive aspects (Benefit-Opportunity) and negative aspects (Cost and Risk). The decision-making of the merger of Islamic banks will later realize positive priorities or negative priorities.

The data used are primary data starting from a literature review. The results obtained were in-depth interviews with Islamic Banking experts and practitioners who understand the issues discussed. Through this in-depth interview, variables/elements related to the study were obtained. After the ANP framework was formed from the specified variables/elements, a questionnaire was compiled in a pairwise comparison filled out by 9 respondents. In general, the steps in this ANP are

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The first stage is the construction of a model compiled from various sources of literature review, both theoretically and empirically. Then in-depth interviews were conducted through experts who understand and understand the study. The results of this in-depth interview will determine the variables that will form the construction of the model.

The second stage is the quantification of the model as a continuation of the first stage, namely the construction of the model that has been formed and validated and compiled questions (questionnaires) in the form of pairwise comparisons. This pairwise comparison questionnaire will be known which elements and clusters have a greater influence or dominance and how big the difference is according to a numerical scale of 1-9.

The third stage is Synthesis Analysis. This stage aims to analyze data from respondents and has been inputted into the Super Decision software. Through this synthesis analysis, it will be obtained:

a. Geometric Mean is the result of the assessment of each respondent and group of respondents. Questionnaires (questions) posed in the form of pairwise comparisons will determine and form a level of respondent agreement. The formula for the geometric mean is:

\[ \prod_{i=1}^{n} x_i^{1/n} \]

b. The rater agreement shows a measure of the respondents’ level of conformity (approval) \((R1-Rn)\) to a problem in one cluster. To measure this rater agreement using Kendall’s Coefficient of Concordance formula \((W; 0 < W \leq 1)\). \(W=1\) shows a perfect fit (Ascarya, 2010). To calculate Kendall’s \((W)\), the first is to rank each answer and add it up.

RESULT AND DISCUSSION

Result of Priority Merger of Indonesian Sharia Bank

1. Priority Opportunities and Challenges for the Merger of Islamic Banks

Based on a questionnaire analysis of 9 respondents, it was found that with the merger of 3 BUMN Islamic Banks, all aspects (Benefit, Opportunity, Cost, and Risk) have values that are not much different. The Cost aspect is more dominant than other aspects, namely
(0.261), then the Benefit aspect (0.257), then the Risk aspect (0.244), and the lowest aspect is Opportunity with a value of (0.236). The slight difference in each aspect shows that all aspects have the same opportunities and challenges. This result also shows the variation of respondents' answers in determining the priority of Indonesian Islamic banks' mergers. The level of agreement of the respondents (Rater Agreement) only has a value (W: 0.04). This result shows that only 4% of respondents agree that it can be understood that the variation in respondents' answers in determining the priority aspects of joining these three Islamic banks into BSI. The following table 1.1 describes the priority results of the merger of 3 BUMN Sharia Banks into Indonesian Sharia Banks:

2. **Cluster Priority**

a) **Benefit Aspect Analysis**

Based on the literature review and in-depth interviews, several nodes were found on the benefits aspect when the 3 SOE Islamic Banks merged, namely strengthening capital, increasing competitiveness, and increasing market share. These three nodes were compared through a pairwise comparison questionnaire by 9 respondents consisting of practitioners and experts.

Based on the respondents' overall answers, the priority results on the benefit aspect are increasing market share with a value of (0.359) then being more competitive (0.345), and the lowest priority is strengthening capital (0.295). At least the difference between each of these variables shows that the three variables greatly affect the benefit criteria. So that the level of agreement of respondents is low (W: 0.02), this shows only a 2% level of agreement among respondents due to varying respondents' answers when determining priorities. The description of the priority results per respondent can be seen in graph 1.2 below:
b) Opportunity Aspect Analysis

This Opportunity aspect looks at the opportunities with the merger of these three banks (Bank Mandiri Syariah, BNI Syariah, and BRI Syariah). Through a literature review and in-depth interview, it was found that this Opportunity node is the world’s largest Muslim aspect, government support, access to finance, increasing competitiveness, becoming a top 10 global bank. The results of the respondent’s analysis through a pairwise comparison questionnaire found that the priority of this Opportunity node is government support with a value of (0.227) followed by nodes being the World Bank’s top 10 (0.224) followed by access to finance with a value (0.212) then increasing competitive (0.212) and the lowest priority is world’s largest Muslim (0.129). The rater agreement on this Opportunity node is (W: 0.08). This assessment shows a low level of agreement so that respondents’ answers vary. The assessment of each respondent is described in graph 1.3 below:
c) Cost Aspect Analysis

The cost aspect with the merger of these 3 state-owned Islamic banks based on the literature review and input interview covers several parts, namely low public literacy, the Covid-19 pandemic, employee reduction, and IT is not optimal. Respondents' answers indicate that the priority of this cost aspect sequentially is the occurrence of a reduction in employees with a value of (0.347), during the covid-19 pandemic (0.276), community literacy is still low (0.191), and IT is not maximized (0.183). The rater agreement of the respondents' answers is equal to (W: 0.09). This shows a low level of agreement, which is 9.

The following graph 1.4 provides an explanation of the assessment by each respondent, namely:

![Graph 1.4: Results of Priority Aspects of Cost Merger of 3 State-Owned Sharia Banks to become Indonesian Sharia Banks](image)

- Low of community literacy
- During the covid-19 pandemic
- The occurrence of a reduction in employees
- IT is not maximized


d) Risk Aspect Analysis

The risk aspect includes several things, namely limited human resources, difficult merger processes, different management patterns, and low customer understanding. The results of the analysis of the answers of all respondents indicate that the priority risk from the merger of three BUMN Sharia Commercial Banks into BSI is the aspect of HR which is still limited with a value of (0.271), followed by aspects of customer understanding which are still low (0.249), aspects of the merger process which difficult (0.243) and the lowest priority on the risk aspect is on the criteria for different management patterns (0.236). The respondent's level of agreement in determining the priority of this risk aspect is (W: 0.024). This assessment shows the low level of agreement of the respondents due to the variety of respondents' answers. The assessment per respondent is shown in the following graph 1.5:
3. Sharia Bank Merger Strategy Priority

Aspects of this strategy are steps that should be carried out to merge three Islamic Commercial Banks into Bank Syariah Indonesia (BSI). Some aspects of the strategy include efforts to build organizational culture, develop digital-based products, synergy in improving Islamic financial literacy, strengthening capital, and fulfilling qualified (quality) human resources.

The results of the respondent's assessment found that the main priority in this merger strategy is the fulfillment of quality human resources (0.213), then with a small difference is developing digital-based products (0.212), strengthening capital (0.201), building organizational culture (0.195) and the lowest priority is the synergy to improve Islamic financial literacy. The slight difference between the priority assessments of each of the criteria for this strategy shows the variety of respondents' answers. The level of agreement between respondents in determining this priority is low (W: 0.039). The results of the assessment per respondent can be seen in the following graph 1.6:
DISCUSSION

The results of the BOCR analysis of the government’s policy of merging Islamic Commercial Banks (BUS) to become Indonesian Islamic Banks, the cost aspect (0.261) becomes the main priority. Besides, the benefit aspect (0.257) has a value that is not much different from the cost aspect. This means that the positive and negative impacts are equally likely in merging these three Islamic Commercial Banks. However, the overall answer of the respondents was more concerned with the challenges (costs) that were more dominantly faced during the merger of these three Islamic banks. This indicates a major challenge (cost aspect) for the policy of the merger of these three Islamic Commercial Banks to become more dominating BSI. Moreover, the merger of three Islamic Commercial Banks was carried out during the Covid-19 period, which had a considerable impact on the development of the Indonesian economy. Besides, the merger process is not easy because it is necessary to consolidate various aspects such as governance, IT systems, available Human Resources (HR), administrative processes, and so on.

The focus of this aspect of cost is the reduction of employees. Each bank certainly has human resources. When the three major banks are merged into one, it will impact reducing employees and streamlining the organizational structure of the three banks. Besides reducing employees, the priority in this aspect is the Covid-19 period, meaning that this merger policy occurred when Indonesia was facing COVID-19 so that the Covid-19 period will strengthen the occurrence of employee reductions when the merger of these three Islamic Commercial Banks becomes Bank Syariah Indonesia, resulting in increased unemployment.

Therefore, the priority results of this problem are closely related to the priority results of the strategic merger of Islamic Commercial Banks into BSI, namely the availability of qualified human resources. The purpose of the merger of the three Sharia Commercial Banks is to create an Indonesian Sharia Bank that can improve the Indonesian economy, especially during this Covid-19 period, and realize the world’s Top 10 Sharia Banks. The availability of human resources is not only in terms of quantity, but the most important thing is human resources. Through these qualified human resources, they will be able to develop digital-based Islamic bank products to become a solution for developing the Indonesian economy, especially during this COVID-19 pandemic.

CONCLUSION

The merger of a bank or company has a positive impact as well as a negative impact. Like the sides of a coin that cannot be separated, accuracy in making decisions for mergers will be able to advance the bank or company, and vice versa, an inappropriate decision will harm the bank or company.

The decision to merge 3 Islamic banks owned by BUMN is the right decision but full of risks. It is appropriate because Indonesia should have a large Islamic bank for the world’s largest Muslim adherents. But on the other hand,
Indonesia is facing a COVID-19 pandemic that affects companies or banks. Moreover, there are still many problems that can cause problems for the merger of 3 BUMN Sharia Banks into Indonesian Sharia Banks (BSI). So, this study also found that the negative impact on the cost aspect (especially on the criteria for the occurrence of employee reductions) was more dominant than other aspects. However, on the positive aspect, the merger of these three state-owned Islamic banks has a difference in value with the negative aspects. So that opportunities (positive aspects) and challenges (negative aspects) have the same opportunities.

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