



Comparative Analysis of the Financial Performance of Islamic Banks and Conventional Banks During The Covid-19 Pandemic

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Abstract

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This study aims to analyze the comparison of the impact of the Covid-19 pandemic on the financial performance of Islamic and conventional banks in Indonesia where the financial performance ratio used is sourced from banking statistics which include: CAR and ROA, in 2019-2021. This study used one of the Islamic and conventional banks that are included in the BUKU III category as a research sample. This study uses a descriptive approach with a sample of Islamic and conventional banks that have been determined. The data taken is secondary data in the form of data in the financial statements at the bank. Based on the result previously obtained, it can be concluded that the financial performance of Islamic and Conventional banks based on capital adequacy indicators (CAR) has not been disrupted by the Covid-19 pandemic, as evidenced by the performance of two banks which still show positive growth. And from the Ratio On Asset Indicators it can be concluded that although the ROA performance at Bank BNI is superior to Bank Muamalat. Bank BNI feels a greater negative impact than Bank Muamalat as evidenced by a decrease in the value of its ROA which is greater than Bank Muamalat.

Keywords: Covid 19, Financial Performance, CAR, ROA

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INTRODUCTION

During the pandemic, the Indonesian government decided to pay attention to three sectors, namely Health, the real sector and banking. The Covid-19 pandemic is a problem for banks, because it can produce problems in the real sector or the business world that have the potential to cause problems in the banking sector. This of course can happen, because the banking sector is an intermediation institution or intermediary that supports the need for investment funds for the business world.

Islamic banking in Indonesia has faced a number of challenges in the midst of the Covid-19 outbreak. According to the Sharia Economy observer who is also the founder of Karim Consuting, Adiwarman Karim said that the condition of the Islamic Banking industry could deteriorate first than the Conventional Bank industry. The condition of Islamic banks is quite good in the midst of the current pandemic. As explained by Deputy Banking Supervisor of the Financial Services Authority (OJK) Teguh Supangkat, Islamic banks although they have slowing growth, their performance is better than conventional banks. (quoted from detikfinance, 2020). The performance of Islamic banks is measured using financial ratios that affect changes in their financial statements. To measure the financial performance of an Islamic bank, we can use several ratios, namely Operating



Expenses to Operating Income (BOPO), Return On Assets (ROA), and Financing to Deposit Ratio (FDR).

According to the Financial Services Authority (OJK – 2020) The performance of conventional banking in Indonesia has been quite disrupted due to the Covid-19 pandemic, the function of distributing there to the public decreased which was in line with the decline in credit demand due to sluggish economic activities during 2020. In addition to the performance of financing or disbursement of funds to the public, the impact of the crisis due to Covid-19 has also caused a decrease in the profitability performance of conventional banks, which is seen through the *ratio of Return On Asset (ROA)* and *Net Interest Margin (NIM)*.

Several studies have supported the argument that Islamic banking kinerja is considered to be able to survive in times of the Covid-19 economist crisis (Almonifi et al., 2021; Candra and Indah, 2021; Fkhri & Darmawan, 2021; Fitriyah et al., 2021), but there are several research results that show different results. Research conducted by (Azhari & Wahyudi, 202) through a descriptive method conducted on 14 Islamic banks in Indonesia based on the performance of third-party fund raising and *debt and equity* financing proves that the condition of collecting third party funds and the performance of Islamic banking *debt financing* has an impact on the decline due to Covid-19. (Riftiasari & Sugiarti, 2020) analyzed the differences in Islamic banking performance in the era of the Covid-19 pandemic using the comparative Independent T-Test method before and during the Covid-19 pandemic at Bank Central Asia (BCA) Syariah through the ratio of CAR, ROA, NPL, FDR, and BOPO, The results prove that overall there are differences in Islamic banking performance before and after the Covid-19 pandemic.

Tabel.1 Capital Adequency Ratio of Bank Muamalat and Bank BNI

	2019	2020	2021
Bank Muamalat	12,42%	15,21%	23,76%
Bank BNI	19,7%	16,8%	19,7%

Tabel.2 Return On Assets Of Bank Muamalat and Bank BNI

	2019	2020	2021
Bank Muamalat	0,05%	0,03%	0,02%
Bank BNI	2,4%	0,5%	1,4%

Based on several research results on the financial performance of Islamic banking that have been presented which have some differences from several studies and presentations on different banking performance according to Adiwarman Karim and the Financial Services Authority (OJK) regarding the financial performance of Islamic and Conventional Banks. Therefore, it is necessary to re- examine the Comparison of Islamic and Conventional Banking Financial Performance.

LITERATURE REVIEW

Sharia Banking

According to Sugiyono (2012: 29) A Sharia bank is a bank whose business is to provide credit and services to payment and trade traffic whose implementation is based on Islamic principles. In addition, Islamic banks are financial institutions that use profit sharing as their work system which is the source of all their activities and other products (Ascara 2007: 2).

Conventional Banks

Conventional Banks are banks that carry out their activities by offering certain services to the public in the dynamics of payment traffic. The majority of banks that develop in Indonesia are banks oriented towards conventional principles. This is inseparable from the history of the Indonesian nation where the origins of Bank Indonesia were brought by the Dutch colonizers. In seeking profits and determining prices for its customers.

Financial Performance

Performance in the dictionary of accounting terms is the quantification of effectiveness in the operation of a business over a certain period (Siegel Joel G & Jhoek Shim, 1994). The bank's financial performance is a description of the bank's financial condition in a certain period, both regarding aspects of raising funds and distributing funds. To assess the financial condition and presentation of banks, financial analysis requires several benchmarks. The benchmark that is often used is the ratio. The financial ratio is an identity that connects two accounting numbers and is obtained by dividing the number by other numbers. Financial ratios are used to evaluate the financial condition and performance of the company.

According to Utari et al. (Harahap, 2017), Financial Performance is the result of the company's operating activities for a certain period which is presented in the form of reports in the form of financial figures. Financial performance can be assessed with several analytical tools. According to the Financial Services Authority (OJK), the assessment of banking financial performance is based on the ratio:

Capital Adequacy Ratio (CAR)

The issue of capital adequacy is important in the banking business. Capital is a certain amount of own funds that are available to support the bank's business and act as a buffer in case of adverse situations (Athanasoglou et al., 2008). Banks that have a good level of capital adequacy show indicators as healthy banks. The bank's capital adequacy is expressed by a net adequacy ratio called the *Capital Adequacy Ratio* (CAR). The capital adequacy ratio shows the internal strength of the bank to withstand losses during a crisis. The capital adequacy ratio is directly proportional to the bank's resilience to crisis situations. It also has a direct effect on the profitability of banks by determining their expansion into risky but profitable ventures or areas (Sangmi & Nazir, 2010). In measuring capital adequacy, the formula used is:

$$\text{CAR} = \frac{\text{Modal Bank}}{\text{ATMR}} \times 100\%$$

Tabel.3 CAR Improvement Criteria

Peringkat	Keterangan	Kriteria
1	Sangat Sehat	Car > 12 %
2	Sehat	9% ≤ CAR < 12 %
3	Cukup Sehat	8% ≤ CAR < 9 %
4	Kurang Sehat	6% < CAR < 8%
5	Tidak Sehat	CAR ≤ 6%

Return On Asset (ROA)

Return On Asset (ROA) is the ratio of profit after tax in the past year to the average volume of business in the same period. Return On Asset describes the turnover of assets that are queered by the ratio of profit after tax to total assets. This ratio is used to measure overall capability (Brigham & Houston, 2006).

According to Sirait (2017: 142) *Return On Asset* is the *earning power ratio*, showing the bank's competence in obtaining profits derived from managing its data sources. ROA calculates the competence of a bank when managing its assets to make a profit, this ratio assesses the quality of investment income that has been made by the bank using all the funds it has (Prastowo 2008: 95). By knowing the ROA, we can assess whether the company has been efficient in using assets in operating activities to generate profits. In other words, the higher this ratio, the better the productivity of assets in obtaining net profits. This will further increase the attractiveness of the company to investors. This ratio is formulated with :

$$\text{ROA} = \frac{\text{Laba sebelum pajak}}{\text{Total Aktiva}} \times 100\%$$

Tabel.4 ROA Improvement Criteria

Ratio	Peringkat	Penilaian
ROA > 1,5%	1	Very Healthy
1,25% < ROA ≤ 1,5%	2	Healthy
0,5% < ROA ≤ 1,25%	3	Healthy Enough
0% < ROA ≤ 0,5%	4	Unhealthy
ROA ≤ 0%	5	Unhealthy

METHODS

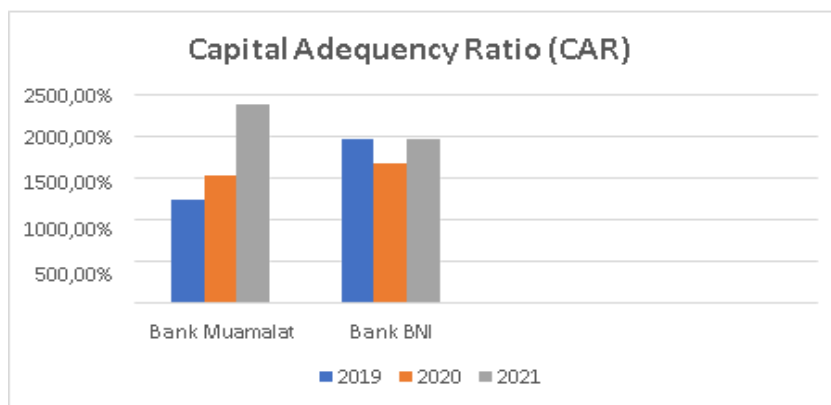
This study used one of the Islamic commercial banks and conventional commercial banks as a research sample. The research data in this study is islamic and conventional banking statistical report data obtained through personal websites

and also the website of the Financial Services Authority. The two ratios analyzed in this study include: Capital Adequacy Ratio (CAR) and Return On Asset (ROA) rate ratio. The analysis method used in this study is descriptive statistical analysis using elaboration through graphic observations obtained from bar charts with observations starting from 2019-2021. This analysis was chosen because through the bar chart it will be seen more clearly the trend of financial performance growth movement for each bank.

RESULTS & DISCUSSION

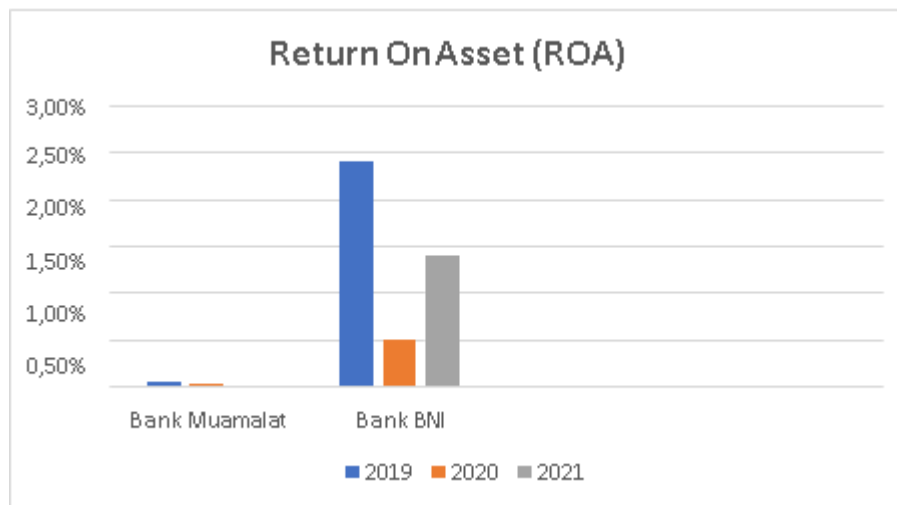
Performance Analysis of Islamic (Bank Muamalat) and Conventional (Bank BNI) Banking in Meeting Capital Adequacy (CAR)

The capital adequacy ratio shows the internal strength of the bank to withstand losses during a crisis, the capital adequacy ratio is directly proportional to the bank's resilience to crisis situations. Based on the results of research that has been carried out, it shows that the sustainability and growth of the performance of Islamic banking (Bank Muamalat) based on its ability to maintain capital adequacy during the Covid-19 pandemic from 2019 to 2021 shows a positive movement or always shows an increase in performance, the highest performance increase occurred throughout 2021, namely an increase in CAR value of 23.79%. This result also proves that the sustainability and growth of Bank Muamalat's financial performance is superior to the growth of Bank BNI's performance. Although the value of BNI bank is superior, during the pandemic, it is known that Bank BNI experienced a decrease in the value of CAR in 2020 by 2.9% or 16.8%, even so in the era of the Covid-19 pandemic that began throughout 2020 Bank BNI's performance still provided positive growth where in 2021 it again experienced an increase of 2.9% or 19.7%. Based on the results previously obtained, it can be concluded that the financial performance of Islamic and conventional banks based on capital adequacy indicators (CAR) has not been disrupted by the Covid-19 pandemic, as evidenced by the performance of the two banks which still show positive growth.



Performance Analysis of Islamic Banking (Bank Muamalat) and Conventional(Bank BNI) in Creating Profit

Return On Asset (ROA) is the ratio of profit after tax in the past year to the average operating volume in the same period. Return On Asset (ROA) describes the turnover of assets as measured by the ratio of comparison between profit after tax and total assets. This ratio is used to measure the bank's ability to make a profit as a whole. The higher this ratio, the better the productivity of assets in obtaining net profits. The best standard ROA according to Bank Indonesia Regulation No. 6/9/PBI/2004 is 1.5%, here is a comparison of the ROA of Bank Muamalat and Bank BNI in 2019-2021:



Based on the figure above, the comparison of Bank Muamalat's ROA performance during 2019-2021 shows negative growth, it is because the ROA performance at Bank Muamalat has decreased from 2019 to 2021 and its ROA growth rate has not met the best standard set by Bank Indonesia, which is 1.5%. On the other hand, Bank BNI's ROA performance in 2019 has met Bank Indonesia's best standard of 2.4%, but in the pandemic era, Bank BNI's ROA performance also showed negative growth because in 2020 it decreased with a value of 0.5% and in 2021 Bank BNI managed to prove an increase in its ROA performance which increased by 1.4% even though the value did not meet Bank Indonesia standards. Thus, it can be concluded that although the ROA performance at Bank BNI is superior to Bank Muamalat, Bank BNI feels a greater negative impact than Bank Muamalat as evidenced by a decrease in the value of its ROA which is greater than Bank Muamalat

CONCLUSION

The following is a drawing of conclusions of data processing and discussions related to the problem and objectives of this study: **(1)** There are significant differences in the financial performance of CAR banks and conventional banks. Judging from its value, muamalat bank is superior to conventional banks. However, judging from the minimum CAR value, Islamic banks and conventional

banks are still above healthy limits. So it can be said that during this pandemic, the two banks are still quite solvable; (2) There are significant differences in the financial performance of ROA Islamic banks and conventional banks. Judging from the value, it shows that BNI bank is superior to muamalat bank. Although it had experienced a decline, BNI bank was able to increase its financial performance again, while for bank muamalat in addition to experiencing a decline, when viewed from its value, bank muamalat has an unhealthy financial performance because it is still below the minimum limit.

Suggestion for Islamic Banking (Bank Muamalat). There is an evaluation from the muamalat bank by increasing its ROA financial ratio so that its value remains high and reaches an increase in the predetermined minimum limit to look healthy. For Conventional Banking (Bank BNI). From this research, it can be seen that all BNI bank financial ratios during the Covid-19 pandemic seem to be improving and are still above the minimum value even though the CAR value is still below the muamalat bank, and this is what must be evaluated by increasing the CAR financial ratio in order to achieve an increase in bank profits.

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