Banking Performance iIndonesia Pandemic Times: Comparison Between Conventional Commercial Banks And Sharia Commercial Banks

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Abstract. When Islamic banks were able to survive the economic crisis in Indonesia in 1997/1998 and 2018, compared to conventional banks, it has also prompted them to explore the existence of the two banking institutions in the face of the Covid 19 Pandemic which has had a negative impact on economic growth in Indonesia. Therefore, this study aims to see how the performance of conventional banking is compared to Islamic banking during the pandemic by focusing on commercial banks only. The research method uses a documentation study of banking data presented from various relevant sources, such as the OJK. The data are grouped according to the aspects being compared for further analysis. The study found that Islamic Commercial Banks (BUS) had better performance than Conventional Commercial Banks (BUK) in terms of: asset growth, fund distribution, TPF, and ROA. In the NPL/F aspect, BUS are 0,07 points higher than BUK.

Keywords: Banking Performance; Pandemic; Conventional Commercial Bank; Sharia Commercial Bank

1 Introduction

The COVID-19 pandemic, like previous pandemics (such as HIV/AIDs) has made various sectors in the world jolt, including banking institutions. Lagoarde stated that the pandemic had knocked down the banking industry, especially in developing countries [1]. Just as in Indonesia, which recognizes the dual banking system, namely Islamic Commercial Banks (BUS) and Conventional Commercial Banks (BUK), this has also been significantly affected. Although based on this research, when compared between the two banks, it turns out that they have different financial performances, namely the performance of BUS is better than BUK.

In addition, the pandemic has also had an impact on general economic problems [2]. As researched by Dito Aditya Darma Nasution et al. said that China's economic growth rate which slowed by 1% would also slow down Indonesia's economy by 0.09% [3]. The pandemic also has an impact on political stability, work productivity, tourism, and foreign investment [4].

As part of the economic system, banking in Indonesia has been severely affected by the pandemic. Because the COVID-19 has afflicted the businesses of the people, which in fact is the land of the banking industry [5]. In responding to this pandemic, various policies have been made by the Government, such as through the Financial Services Authority (OJK) as an independent institution that regulates financial institutions in Indonesia, which has issued 11 policies that stimulate the banking industry, capital market and non-bank financial industry as institutions that are severely affected by the impact of the pandemic. the covid 19 pandemic,

including 3 POJK related to banking, both for the treatment of sharia and conventional commercial banks such as relaxation and credit restructuring [6].

With the restructuring, it is hoped that customers will still be able to pay their bills to the bank, although at a lighter amount. From the customer side, restructuring is seen as more profitable in terms of the number of installments, but it will be very tiring if you see the increase in the payment period [7]. Meanwhile for the banks themselves, the restructuring policy can provide room for banks to manage their cash flows properly and can also control the surge in non-performing financing [8].

severe impacts as a result of the pandemic engulfing large, small, local and external industries coupled with the existence of Large-Scale Social Restrictions (PSBB). Production stops, causing a supply shock, and as a result of the absence or reduced income due to job loss, it also results in a demand shock [9]

During the 1997/1998 economic crisis, Bank Muamalat Indonesia as the only Islamic bank in Indonesia at that time, was able to survive when many other banks were scattered for liquidation. This survival success is assessed by many experts because of the profit sharing pattern applied by the Bank using profile and loss sharing. This pattern makes this bank not going bankrupt and even tends to still get profit sharing even though in relatively small amounts [10]. Likewise, when subsequent economic crises also hit Indonesia, Islamic banks were able to survive well [11].

Several studies conducted by previous researchers regarding the relationship between COVID-19 and banking have highlighted various things. Tahliani's research regarding the challenges of Islamic banking in facing the pandemic, found that Islamic banking was challenged to adapt to digitalization-based business patterns, both in terms of raising funds and in terms of distributing funds [12]. The toughest challenge is to suppress the NPF rate in order to survive the pandemic and divert the market to be directed at industries that are not negatively affected by COVID.

Subsequent research [13], regarding the analysis of the performance of Islamic banking in Indonesia during the pandemic, found the results that the performance of Islamic banking assessed based on debt financing experienced fluctuations while financing with the cost of capital model experienced growth. There is also another study [14], regarding the impact of the covid pandemic on the management of the Islamic banking industry, finding that between March and December 2020, there has been turmoil in its intermediation function and the volatility tends to decrease.

Another study [15], on the analysis of operational risk of Islamic banks during the covid 19 pandemic, found that there were 2 sides of operational risk, namely from the bank side and from the customer side. So that the way to overcome this risk is to maximize controlling for all employees and also customers. Another study by [16], regarding the analysis of the financial performance of conventional and Islamic BCA Banks due to the impact of the pandemic, has shown that there are significant differences in CAR, ROA, LDR, and NPL/F between the two, while on the BOPO side there is no there are significant differences.

When compared in terms of performance in general, several studies show a diversity of results. Such as Mohamad, Hassan, and Bader [17] and Olson and Zoubi [18] stated that there was no significant difference between the two. Meanwhile, Yudistira found that Islamic banks (Islamic banks) have less inefficiency [19]. Meanwhile, Johnes, Izzeldin, and Pappas [20] and Srairi [21] concluded that Islamic banks are less efficient. However, there are also recent research results from Beck, et al. [22] who explored more comprehensively, concluded that Islamic banks are less efficient than conventional banks but have better asset quality and

intermediation ratios. Recently, Rizvi et al. [23] found evidence that the growth of Islamic bank financing and deposits in Indonesia was significantly higher than that of conventional banks

The fundamental difference with this research is that the purpose of this study is to compare the performance of Islamic Commercial Banks (BUS) and Conventional Commercial Banks (BUK) as a whole during the pandemic that lasted from March to December 2020, with the variables being compared covering asset growth, deposits, ROA and NPL/F. This variable was chosen because it is one of the measures that is often used to see banking performance in general [16].

2 Method

This study uses a comparative research method, which is to compare the performance of conventional banking with Islamic banking during the pandemic with the pandemic period being March to December 2020. The data source for this research is secondary data in the form of financial reports or banking booklets that are officially released by the OJK. Data analysis was carried out by comparing the variables that were used as the object of analysis and then doing a description of the data based on the best available information.

3 Result and Discussion

The success of banks in carrying out their activities for a certain period is always realized by a measurement standardized by the OJK, namely financial performance [24]. In general, financial performance can be seen from financial reports that have been published by banks, therefore OJK also provides an obligation to report and publish financial reports periodically [25]. The financial performance will be presented in the form of financial ratios that will describe the financial performance predictions by banks [26]. The comparison period between the two banks is that the pandemic period lasted quite severe, namely March to December 2020. The variables that will be compared are Assets, TPF, ROA, Disbursed Financing (PYD), and NPL/F. the results of his research are as follows:

Table 1. Comparison ore Assets, TPF, ROA, Disbursed Financing (PYD), and NPL/F development for the period March to December 2020 BUK and BUS (in Billion Rupiah).

Period	Assets		TPF		ROA		PYD		NPL/F	
	BUK	BUS	BUK	BUS	BUK	BUS	BUK	BUS	BUK	BUS
March	8.443.184	349.950	5.924.944	289.362	2,57%	1,86%	5.483.646	228.394	2,77%	3,43%
April	8.300.397	348.294	5.839.044	289.046	2,34%	1,55%	5.382.545	227.438	2,89%	3,41%
Mei	8.267.632	347.108	5.889.605	285.751	2,06%	1,44%	5.355.885	230.044	3,00%	3,35%
June	8.313.961	356.330	5.967.088	293.374	1,94%	1,40%	5.316.379	232.859	3,11%	3,34%
July	8.372.998	352.823	6.018.481	289.646	1,90%	1,38%	5.301.453	234.713	3,22%	3,31%
August	8.548.115	358.851	6.191.910	295.936	1,90%	1,36%	5.286.411	235.456	3,22%	3,30%
September	8.686.707	375.157	6.338.774	312.102	1,76%	1,36%	5.290.086	240.508	3,14%	3,28%
October	8.692.631	381.846	6.305.140	314.741	1,70%	1,35%	5.237.755	242.516	3,15%	3,18%
November	8.665.964	387.482	6.318.538	316.460	1,64%	1,35%	5.201.894	245.597	3,18%	3,22%
December	8.780.681	397.073	6.342.538	322.853	1,59%	1,40%	5.235.027	246.532	3,06%	3,13%
Average Change	0,40%	1,28%	0,69%	1,12%	-4,62%	-2,65%	-0,46%	0,77%	1,04%	-0,90%

The table above shows fluctuations in developments in assets owned by the two banks, both conventional and sharia. When compared using the average percentage growth, the growth of Conventional Bank Assets during the pandemic was at an average level of 0.40%, while Islamic banking assets grew at a position of 1.28%. The difference in the average level of growth is quite significant between the two banks, this certainly gives us an idea that BUS has better growth than BUK. When compared to the number of assets as of December 2019, the total assets of BUK for the period of December 2019 were 8,212,586 or grew by 6.92% in December 2020. BUS assets as of December 2019 amounted to 350,364 (in billion rupiah) which when compared to December assets 2020, it also experienced a growth of 13.33%. The difference in growth reached 6.41%.

If the average growth of TPF in BUK is calculated during the study period, there is 0.69% growth in TPF belonging to BUK. while the average growth of deposits at BUS is at the level of 1.12%. Therefore, a comparison using the DPK variable shows that BUS is better than BUK with an advantage point of 0.57%.

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The pandemic that has destroyed the economy from all sides has certainly made the movement of banks in distributing financing increasingly limited. The data above shows that during the research period, lending to BUK tends to fluctuate negatively with an average of 0.46%. Meanwhile, in BUS, the disbursed financing tends to fluctuate positively with an average of 0.77%, although in relatively small amounts. With the economic turmoil during the pandemic, of course, it will be very risky for banks to channel credit or financing because the possibility of their return will be smaller. However, based on these data, it turns out that BUS did not reduce its disbursement of financing in 2020, and even experienced an increase in the number of disbursements compared to 2019. In BUK, it has actually reduced its credit disbursement, in 2020 compared to 2019.

The table above has indirectly informed us that government policies have had a positive impact in saving banks. Seen in the large percentage of NPL/F in BUK and BUS. During the comparison period, the growth of non-performing loans in BUK jumped quite high, there were only two periods that showed BUK was able to reduce the percentage of non-performing loans. The average growth of non-performing loans in BUK also showed a positive value of 1.04%. This of course informs us that the level of non-performing loans at BUK is getting higher due to the Pandemic.

The comparison of the percentage of NPL/F of BUK and BUS with the period at the end of December 2019 can of course also be an illustration of banking performance during the pandemic. OJK noted that the NPL level of BUK as of December 2019 was at the level of 2.53% and the NPF of BUS as of December 2019 was 3.23%. When compared to the NPL/F period at the end of December 2020, the NPL at BUK experienced an increase of 0.53%, while for BUS it actually experienced a decrease in the percentage of non-performing financing by 0.10%. Of course, this is an achievement that BUS should also be proud of because the pandemic does not necessarily increase the number of non-performing financing, but is able to reduce the percentage of the number of non-performing loans.

Based on the 5 variables compared above, the performance of BUS outperforms BUK of all these variables. Of course, for Islamic banking, this result is a very extraordinary

achievement, as well as proof again of its resilience to face economic turmoil after previously being able to face the economic crisis in 1992.

4 Conclusion

Comparative research taken from documentation studies to see banking performance during the COVID-19 pandemic with a research period of March to December 2020 concluded that: 1) Five variables that are compared between BUK and BUS, namely: Assets, TPF, ROA, PYD and NPL/F show BUS performance is better than BUK, although the final percentage of NPL/F in BUK is lower than BUS, but compared to the period at the beginning of this study, BUS was able to suppress NPF compared to NPL in BUK. 2) The banking rescue strategy by the government by providing restructuring is certainly able to save BUK and BUS from all kinds of risks inherent in banking, but not only requires external regulation, but the diversity of contracts and products in BUS has also been able to save BUS from banking risks. so that concerns about non-performing financing or decreasing liquidity do not occur in BUS. In addition, BUS is also increasingly given the opportunity to follow the sophistication of BUK digitization because for sure, banking services have led to digitalization.

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