

Bank NTB Syariah And Bank Jatim Consolidation Plan :

SWOT Analysis

Bambang^{1*}, Isti Fadiah²

¹University of Mataram ; bambang@unram.a.id

²University of Jember ; istatuk@yahoo.co.id

Correspondence: Bambang
Email: bambang@unram.a.id

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Abstract: This research is related to the consolidation plan of Bank NTB Syariah and Bank Jatim. Both banks are motivated by the fulfillment of POJK 12. The POJK encourages the presence of strong and efficient banking. The purpose of this study is to identify the SWOT of PT Bank NTB Syariah and PT Bank PT Bank Jatim, within the framework of the consolidation / Bank Business Group. Use secondary data to perform a SWOT analysis. The results showed that Bank NTB and Bank Jatim have philosophical similarities born as Regional Banks, which have uniqueness. In the context of fulfilling POJK 12, Bank Jatim has the capital capacity and regulatorily allows it to become a consolidation forum with Bank NTB. Through the CONSOLIDATION forum, Bank Jatim together with Bank NTB can develop business in various regions in Indonesia and because Bank NTB is located in the West nusa tenggara region (NTB), the opportunities for regional economic growth in NTB, in particular, can be utilized and the weaknesses of each bank can be overcome. Through CONSOLIDATION, Bank NTB accelerates the achievement of Bank NTB's vision to become the pride of the community. Each bank has a focus on improving business processes, product development, professional HR management, and strengthening digital business. Stakeholders hopefully both get more value from the KBU process of Bank NTB and Bank Jatim.

Keywords: Bank, Capital, Consolidation, SWOT

INTRODUCTION

The Financial Services Authority (OJK) has issued POJK NUMBER 12/POJK.03/2020 (POJK 12) concerning the consolidation of Commercial Banks with the consideration of strengthening the structure, resilience, and competitiveness of the national banking industry through strengthening bank capital and banking consolidation. It is expected that by consolidating banks, there will be banks that have the capacity and capability to face the challenges of innovation in technology-based products and services. This will increase the adaptability of these banks, enabling them to adjust to various challenges in global economic conditions and the dynamics of the national banking structure. In addition, this consolidation effort aims to address the problem of non-performing banks. In addition to these benefits, bank consolidation will also encourage national banks to become resilient on a domestic scale and compete competitively on a regional and global level.

This Financial Services Authority Regulation (POJK 12) is part of efforts to reinforce the structure, resilience, and competitiveness of the banking industry, which in turn will assist in assisting country-wide financial balance and growth (Bank Indonesia, 2021). POJK 12 stipulates, amongst different things, that neighborhood government-owned banks need to meet a minimal middle capital of a minimum IDR three trillion via way of means of 31 December 2024, and progressively IDR 2 trillion via way of means of 31 December 2021 (OJK 2020). Those who do now no longer follow the provisions in POJK 12 can be difficult to sanctions and Banks which have been difficult to administrative.

However, the supply additionally affords a possibility if, via way of means of 2024, it has now no longer been capable of meeting the capital requirements to reap an exception, particularly having progressed and strong governance inside the adjustment duration and consolidating with the approval of the authority.

A number of small banks with capital of less than Rp 3 trillion, including a number of BPDs, are making efforts to fulfil OJK regulation No.12. Some local governments as owners of BPDs are providing APBD to increase capital to meet the minimum core capital requirement of IDR 3 trillion before the end of 2024. Other BPDs whose owners do not have the ability to increase capital may choose to join a bank consolidation formed by a larger BPD. PT Bank NTB Syariah as one of the Regional Banks still has capital of less than Rp 3 T (Bank NTB, 2022), Based on the POJK is required to have strategic steps to fulfil capital until the specified deadline.

A joint study by Bank Indonesia and OJK (2021) recommends a scenario of merging BPDs based on geographical location and business model. For example, BPDs in the Eastern Indonesia region will be merged into 1 (one) BPD Eastern Indonesia, and the Northern Sumatra region will be merged into 1 (one) BPD. Meanwhile, sharia BPDs can be merged into 1 sharia BPD with consideration of business model similarities. The merger scenario is driven by cultural similarities in the working area and to increase the *market power* and resilience of the BPD in each region (Qomariah et al., 2016).

Research conducted by Jeon and Lim (2013) analyzed the impact of competition on stability using a sample of Korean banks where the relationship between competition and stability varied depending on bank type and bank-specific factors such as business risk and corporate governance. Some studies using single-country settings do assess the impact of bank competition, but its implications on bank stability remain unexplored. For example, Yang and Shao (2016) examined the impact of bank competition on bank lending channels in China. Tan and Anchor (2017) also use a sample of Chinese banks to examine the combined impact of bank risk-taking behavior and competition on technical efficiency.

According to Hosain, M.S. (2021) states that merger and acquisition improves firm performance as a result of synergies gained, market power, firm profitability, risk diversification, and integrated management strategies. In general, culturally similar companies are more likely to merge, as cross-border M&A announcements generally have a positive market reaction. In particular, acquiring firms with larger boards and influential outside directors show better performance in cross-border acquisitions. Furthermore, firms involved in cross-border M&As tend to perform better when led by more dominant CEOs. In determining profitability across sectors, M&A has the most favourable effect on the IT industry sector. The study recommends that firms that have constraints in competitive markets can consolidate their energy by turning to productive M&As. The study also shows that results depend on the alignment of outcomes, motives, and proper integration. Therefore, each company should understand its own culture, complexity, capital structure, dynamic changes, and strategic plans.

According to Gunarni Soeworo (2006), consolidation should be based on a professional approach in various aspects, including:

1. The financial work approach, i.e. financial ratios and asset strength, as well as capitalisation potential are the measures considered. Banks that have a low capital adequacy ratio can merge with banks that have a higher capital adequacy ratio.
2. The business approach, where mergers need to be done by considering the ability of banks to conduct business processes. Banks that are able to raise funds merge with banks that are less able to raise funds. Or between banks that are capable of lending and banks that are less capable of lending.
3. An infrastructure approach, where banks that are good in information technology are merged with banks that are not. It is also possible to merge a bank that has many branches with a bank that has few branches;
4. A cautious approach where banks that manage risk can consolidate with banks that fail to manage risk. Large and developed companies almost certainly engage in strategic planning. Strategic planning is a way to help organizations become more productive by directing the allocation of resources to achieve goals (Emet, 2017).

SWOT evaluation facilitates organizations pick out the organization's Strengths, Weaknesses, Opportunities, and Threats. SWOT will manual it to construct on what it does well, deal with what it lacks capture new openings, and minimise risks. Apply SWOT Analysis to evaluate the organization's function earlier than selecting a brand new strategy.

The assets of BPD are in the form of a Limited Liability Company and consist of assets belonging to the limited liability company located on the left side of the balance sheet, and debts or liabilities that must be repaid, including to shareholders located on the right side of the balance sheet. In carrying out lending activities, banks may not use their own capital, but from third-party funds in the form of deposits such as demand deposits, time deposits, certificates of deposit, savings, and other similar forms. The greater the third-party funds obtained to be used in credit financing, the healthier the bank. This means that banks should not rely on equity capital, which is funds sourced from shareholders. In the case of the BPD, the source of the BPD's own capital is the capital deposit from the Local Government, either the Provincial Local Government, the Regency Local Government, or the Municipality Local Government.

The regional bank is not only a business institution but also a symbol of the region within the framework of regional autonomy. Bank NTB as one of the Regional Development Banks (BPD) has signed a Memorandum of Understanding (MoU) with Bank Jatim on 27 February 2023. One of the MoUs led to the fulfillment of the Financial Services Au-thority Regulation (POJK) Number 12 of 2020 related to the fulfillment of BPD core capital of IDR 3 trillion.

Previous research, for example, conducted by Muhammad, 2021, discussed the merger of Islamic banks in Indonesia belonging to BadaBUMN, namely Bank Syariah Mandiri, BNI Syariah, and Bank BRI Syariah using SWOT analysis. The novelty of this research is to examine the merger plan of 2 (two) which are Regionally Owned Enterprises (BUMD), namely Bank NTB Syariah (owned by the NTB regional government and Bank Jatim (owned by the East Java gov-ernment).

The purpose of this study is to identify the SWOT of PT Bank NTB Syariah and PT Bank Jatim, in the banking business group. For example, in a previous study conducted by Muhammad in 2021, the merger of Islamic banks in BUMN, i.e. Bank Syariah Mandir, BNI Syariah and Bank BRI Syariah, was discussed through SWOT analysis. The novelty of this study is that it examines the merger plan of two Regionally Owned

Enterprises (BUMDs), namely Bank NTB Syariah (Owned by NTB Regional Government) and Bank Jatim (Owned by East Java Government).

METHOD

Research Design

This approach analyzes the stories and arguments of the parties to understand the decision-making process of forming a banking business group. In writing this article, a qualitative approach using the method of descriptive analysis is used. This study uses a literature survey with data from the literature related to the CONSOLIDATION process of Bank NTB Syariah and Bank Jatim. In this study, the authors collected data from existing studies and summary reports made by two banks. In order to obtain the necessary data and information in the study, data collection techniques were carried out using library research, field research and documentation research. In this research method, information is taken in the form of bank merger regulations, books, literature, past studies and other related books. The selection of information sources is made by selecting books and articles by experts in the banking sector from the relevant discussion. In this study, the author interviewed related persons who graduated from consolidation.

The method of data collection is literature research, which uses different literature in the form of books, magazines, newspapers and websites of authoritative institutions.

Population and Sample

This study uses 2 (two) banks that are conducting merger plans, namely NTB Syariah Bank and Bank Jatim.

RESULTS AND DISCUSSION

POJK 12 encourages banks that do not have sufficient capital to carry out a fulfillment strategy either through internal additions or strategic investors. POJK 12 must be fulfilled as an effort by regulators to strengthen the capabilities and competitiveness of the banking industry. Bank NTB Syariah, among others, has less than the required core capital and has taken strategic steps by conducting an MOU to form a bank business group with Bank Jatim.

Bank NTB is a regional development bank that was founded on July 5th, 1964. The mission of PT Bank NTB Syariah is to "Become a Trustworthy, Leading, and People's Choice Sharia Bank". Amanah is specifically described as a notion wherein PT Bank NTB Syariah's complete management system is carried out with trust. The funds put by consumers will be managed and protected in order for them to reach their intended beneficiaries and benefit all stakeholders. Being a leading Islamic bank entails being well-known, prominent in the financial sector, adaptable to change, and committed to providing exceptional customer service. Therefore, "People's Choice" refers to an Islamic bank with exceptional performance, and a positive reputation.

The goals of Bank NTB Syariah are to (a) provide excellent customer service and innovative Islamic banking products that meet customer needs; (b) consistently implement performance-based systems to develop professional and prosperous human resources; (c) broaden the scope of services for access and transactions by utilizing dependable technology; (d) maximize shareholder returns and expand the role of social responsibility.

Bank NTB Syariah's Financial Situation

Table 1: Bank NTB Syariah's Financial Situation (billion)

Description	2022	2021	2020	2019	2018
Total Assets	13,002	11,215	10,420	8,640	7,039
Total Financing	8,725	7,407	6,410	5,581	4,869
DPK	9,780	8,143	7,409	6,816	4,921
Equity	1,554	1,455	1,379	1,400	1,335
Total Tier 1 Capital	1,581	1,460	1,418	1,427	1,362
Ratio					
CAR	26.36%	29.53%	31.60%	35.47%	35.42%
ROA	1.93%	1.64%	1.74%	2.56%	1.92%
ROE	12.38%	10.04%	9.54%	12.05%	8.92%
FDR	89.21%	90.96%	86.53%	81.89%	98.93%

Source: annual report, 2022

Based on table 1, the financial performance of Bank NTB is very good as reflected in the total assets, financing, DPK increased significantly. Bank NTB assets in 2018 amounted to Rp7 trillion to Rp13 in 2022, financing from Rp4.8 trillion to Rp8.7 trillion, DPK from Rp4.9 trillion to Rp9.7 trillion. The Bank's core capital from IDR1.3 trillion.

Bank NTB has strong capital adequacy capacity to absorb risks, which is reflected in a capital adequacy ratio (CAR) of over 20%, which exceeds the minimum requirement. Bank NTB's profitability is also good, with a return on investment (ROA) of over 1%. ROE in 2022 reached 12.28%.

SWOT Bank NTB Syariah

Based on several NTBS Bank documents, the opportunities, challenges, strengths and weaknesses faced by Bank NTB can be identified.

Strength.

Bank NTB's strengths consist of the Bank's image as a Bank owned by the Regional Government and *shareholders* are stakeholders in economic development in NTB, the Bank better understands the characteristics and economic potential in NTB, the Bank's performance in the last 5 years generally shows improvement, reflected in key financial indicators including financial ratios, has a strong captive market in the Regional Government and ASN segment, has a distribution network in economic development areas in NTB, the Bank has a Health Level with a composite rating of 2 (healthy) in the previous 2 periods.

Weakness

In addition to its strengths, NTB Bank also has particular weaknesses. NTB Syariah Bank must continue to improve its service levels by accelerating its digital transformation. Bank NTB Syariah's BOPO ratio is relatively higher than his BPD SI industry's BOPO ratio, and to realize Bank NTB's vision, the current average in the banking industry must be consistent implementation of corporate culture and risk culture. is to achieve It remains relatively low and needs improvement, especially in areas prioritized by central and local governments. Especially in the field of sales and management support such as risk management that supports business growth, there is still a need to improve (upgrade) human resources skills.

Opportunity.

Opportunities that can be utilised by Bank NTB at the regional level include: NTB's economy is constantly growing postifi experiencing growth of 7.76% (yoy) higher than national growth; NTB's economy has KEK Mandalika which will become a new economic growth centre; Leading business sectors based on growth and contribution in NTB Province are the Agriculture, Mining and Transportation sectors; Banking business expansion through digitalisation is currently very potential, this can be seen from non-cash transactions experiencing an increase; has a *captive market* within the Regional Government. The market in the Local Government Environment still has potential, but not yet optimal in its penetration; and development of green economic and financial resources in NTB in supporting the implementation of Sustainable Finance.

Threat

Bank NTB faces such threats as Changes in information technology, which are increasingly fast and dynamic (continuous), affecting the business model and business processes of the banking sector; As a result of the rapid development of information technology, increased IT risk (cyber security); Potential competitors of national banks with strong brands in certain segments in the NTB region; The regulations related to the banking regulation of the relevant institutions (OJK, Bank Indonesia, Kemendagri, Kemenkeu, Kemkoinfo, etc.) are increasingly complex.

BANK JATIM

The JATIM Bank In order to compete with and even exceed other banks, particularly Regional Development Banks, Jatim's objective is to develop into a BPD Bank that consistently makes a substantial contribution to regional economic growth.

The Bank continues to transform in order to stay relevant in its attempts to rise above the typical banking sector. The Bank is focused on boosting the acceleration of performance growth when conducting its business activities. The Bank's strategic resource of human capital, which is continually fostered and developed so that it has the capacity and capability to accelerate performance growth, provides support for this endeavor.

Table 2: Financial Performance of Bank Jatim

Description	2022	2021	2020	2019	2018
Total Assets	103,031	100,723	83,619	76,756	62,689
Financing	46,197	42,750	41,481	38,352	33,893
DPK	79,926	81,389	66,786	60,546	50,916
Total Tier 1 Capital	10,346	9,297	8,412	-	-
Ratio					
KPMM	24.74%	23.52%	21.64%	21.23%	24.21%
ROA	1.95%	2.05%	1.95%	2.73%	2.96%
ROE	16.24%	17.26%	18.77%	18.00%	17.75%
FDR	89.21%	90.96%	86.53%	81.89%	98.93%

Based on table 1, the financial performance of Bank Jatim is very good as reflected in the total assets, financing, deposits increased significantly. Bank Jatim assets in 2018 amounted to Rp62 trillion to Rp103 in 2022, financing from Rp33.8 trillion to Rp46.1 trillion, deposits from Rp50.9 trillion to Rp79 trillion. The Bank's core capital in 2022 was Rp10.3 trillion.

Bank Jatim has a strong capital capacity to absorb risk as reflected in the Capital Adequacy Ratio (CAR) value of more than 20%, higher than the minimum requirement. The Bank's profitability is also good, namely *Return on Asset* (ROA) of more than 1%. The ROE in 2022 reached 16.24%.

BANK JATIM SWOT

Based on several documents Bank Jatim can identify opportunities, challenges, strengths and weaknesses of Bank Jatim.

Strength

Bank Jatim's strengths consist of (a) a Captive market of Local Government & ASN is still strong, Big Data ASN, Micro Retail, and Taxpayers, (b) Has a fairly extensive e-channel service (ATM, SMS Banking, Internet Banking, Mobile Banking, Laku Pandai, EDC, QRIS), (c) Has a Digital Lounge that aims to attract interest from millennials, (d) Has a complete service of spending and receiving Local Government; (e) Has sharia service offices and sharia-based products, (f) High quality e-channel of Service, (e) Has collaborated with several fintech companies (Paytren, Gopay, OVO, Tokopedia), (f) Has collaborated with BPRs throughout East Java (BPR Apex); Has launched Jatim Invest, (g) Remittance and Katepay, (h) Has obtained ISO 27001 and TTIS BSSN certification.

Weakness

Bank Jatim's weaknesses consist of (a) still not effective in the socialization, implementation, and evaluation of the provisions of the Internal Information Technology Division, (b) there is still a lack of human resources in accordance with the respective business needs, (c) Need to improve competency capabilities periodically and continuously, (d) Technology products that still do not follow trends and business models, (e) Digital marketing strategy is still not optimal and competitive, (f) Captive market data that hasn't been generally used (f), the PSAK process' EOD and EOM procedures (g), which take longer since they run on a different engine than CBS, Business operations that have not been digitalized (g), an unsatisfactory IT organization (h), an insufficient HCI server infrastructure (i) and more. (j) Microsoft Windows Server and Microsoft SQL licenses are still not widely available.

Opportunities

Opportunities in the Bank Jatim business environment consist of: (a) Utilisation and further development of Big Data, (b) Having a digital captive market, (c) The millennial age market segment is starting to dominate, (d) Cooperation and collaboration with the ecosystem, (e) cooperation and collaboration with fintech companies in the use of Big Data and Artificial Intelligence, (f) The potential for local taxpayers is still high, (g) Cashless transactions that continue to increase, (h) Making changes to the E-Channel into one platform (Super-App), (i) Switching BPR Link can continue to be developed, (j) Development of fintech/e-commerce alliances and ecosystem-based businesses for local governments, BUMN / BUMD and communities in the East Java region, (k) Increased Fee-Based Income.

Threats

The threats faced by Bank Jatim consist of: (a) The development and change of information technology that is increasingly fast and dynamic (Continual), (b) High customer service demands for digital services, (c) IT investment that requires a large budget each year, (d) Competitors working on captive market segments through digital service approaches, (e) Fintech services disrupt banking, (f) Increased IT risk (cyber security) the impact of information technology development.

CONCLUSIONS

Bank NTB and Bank Jatim have a similar philosophy of being born as a regional bank, whose uniqueness, in addition to being a commercial bank, is also a regional development bank (BPD), whose special purpose is to finance regional development. promote the growth of national development. Bank Jatim has capital capacity in relation to the fulfillment of POJK 12, and thanks to regulation, it can become a KUB container with Bank NTB. Bank Jatim has a vision to become a BPD with a competitive edge so that it can compete and even outperform other banks, especially regional development banks. Through KUB, Bank Jatim together with Bank NTB can develop business activities in various regions of Indonesia, and because Bank NTB is located in the central region, it can mainly take advantage of NTB's regional economic growth opportunity and overcome the weaknesses of each bank. .Through KUB Bank, NTB Bank accelerated the fulfillment of NTB Bank's vision to be the pride of the community. Each bank focuses on business process improvement, product development, professional HR management and digital business enhancement. Regulators, government, industry and the public are expected to benefit from the Bank NTB Syariah and Bank Jatim KBU process. The contribution of this study can be used to strengthen the argument for the consolidation of the two banks

Future research can examine the financial performance of both Bank NTB Syariah and Bank Jatim after consolidation.

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