

Financial Performance of Conventional and Syariah Banks: An Empirical Studies in Indonesia

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Abstract

This research aimed to determine the influence of Capital Adequacy Ratio (CAR), Non Performing Loan (NPL), Return on Asset (ROA), Return On Equity (ROE), Loan on Deposit Ratio (LDR) between conventional and syariah banks in Indonesia. This study is quantitative research. The population in this study is Indonesian banking opened syariah unit those are 12 Syariah Bank (BUS). The sampling technique used was purposive sampling criteria; with result were 6 conventional and 6 syariah banks. Data analysis methods used in the study were multiple linear regression analysis, difference test paired sample T-Test and difference test Wilcoxon. The study showed Capital Adequacy Ratio (CAR), Non Performing Loan (NPL), Return On Asset (ROA), Return On Equity (ROE), Loan on Deposit Ratio (LDR) between conventional banks with syariah banks have significant contradiction.

Keywords: Capital Adequacy Ratio (CAR), Non Performing Loan (NPL), Return on Asset (ROA), Return on Equity (ROE), Loan on Deposit Ratio (LDR)

Introduction

The role of the banking sector is can not doubt that is really needed to reawaken economic activities. The role of it will be very much determined by development strategy set by force new political power, in addition to commercial interests from the power of foreign investors which cannot be ignored. The presence of syariah bank in the middle - central conventional banks done to anticipate challenges financial system more advanced and complex and to prepare for infrastructure entered the era of globalization. So, adoption syariah banking not only to offer banking system an alternative for muslims in Indonesia who needs or want to receive the services banking services without having to breaking interest, but rather in the factors of excellence or a greater benefit of the banking industry in bridge economic.

In principle, bank collecting fund from people in the form of saving to the community, with the mission improve the economic situation of the people at large. The savings product is third party funds or the community and stored by a bank, that can be done any time unannounced to the first by the withdrawal of certain. As the savings is with other banks, the savings on syariah banking capable of being used by the bank to bank operational activities. This item can be concluded that the main motivation for customers is saving it not/investment can be drawn any time can be used by banks. During the crisis the economic, the banking industry can still meet a relatively is better than conventional banks. This can be seen from the relatively low distribution of financing that problematic (non performing loan) in syariah banking and not the spread negative in their operations. This can be understood remember the rate of return to the bank syariah did not refer to interest rates prevailed but according to the principle for the banking operational activities, good conventional banks and the banking industry in the financial reports will indicating the level of the ratio financial will be benchmark level financial performance in the bank.

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Capital adequacy ratio (CAR) is the ratio the performance of the banks for measuring capital adequacy owned bank to support assets containing or yielding risk, for example of credit given. According Cashmere (2012), return on assets (ROA) used to measures the bank management in obtaining gains (profit) overall measured from volume of the sale (Mariana: 2011). Level rentabilitas on performance bank can seen also from in the ratio return on equity (ROE). According Cashmere (2012) return on equity (ROE) is the ratio for measuring net profit after tax by their own capital.

The bank liquidity is to measures the bank in satisfying an obligation short term. Loan on deposit ratio (LDR) are defined in comparison loans provided with funds accepted by a bank. So that the rate liquidity who was represented by LDR ratio also had a positive impact on performance bank (Hodijah, 2008). Research conducted by Abustan (2009) with a headline analysis comparison financial performance of syariah banking by conventional banks. The result of this research stated that analysis syariah banks have flattened performance of 87,96% and the performance of the banks conventional just showing data of 81.84%. This study shows differences in financial performance of conventional banks with significant syariah banks. Further research was carried out by Joseph Deasy Mariana and Mohammed (2011) entitled analysis syariah banking and financial performance conventional banks. The research here a calculation risk profile is better than bank muamalat capital city bank, this can be seen in the risk of bank muamalat is in an inferior position and that the bank has had up to low into being. This means that the significance of the financial performance of conventional banks with bank syariah shows the difference is not too significant. Research conducted by researchers this time develop previous studies by combining a number of studies before. Values is capital adequacy ratio (CAR), non performing loan (NPL), return on equity (ROE) and return on assets (ROA), and loan on deposit ratio (LDR). The difference between research this time with previous studies is sample data used by researchers as well as data used dating from the different years, as they were almost a decade and thus it is very allow for the difference of the results to show.

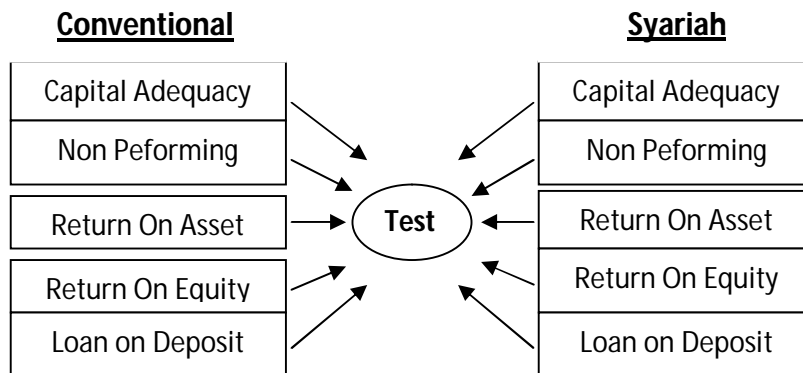
Method

A method of this research it uses secondary data. While design research used the design descriptive quantitative. Methods used in data collection in research this is the method documentation, by means of gather, noted, study secondary data of the annual financial report of conventional banks and syariah banks published on the website official Indonesia Bank www.bi.go.id during the period of 2011-2014. The values, financial performance is the variable dependent while an independent variable in this research is solvability measured by the ratio capital adequacy ratio (CAR), the quality of assets productive measured by the ratio non performing loan (NPL), rentability measured by the ratio return on assets (ROA) and return on equity (ROE) , and liquidity measured by the ratio loan on deposit ratio (LDR).

Population in this research is banks in Indonesia that opens syariah of unit activities, report publication bank financial from the conventional and shariah banks used in this research is still in one brood the same company during the period of 2011-2014 obtained from www.bi.go.id. Sample in the study is done by using the method purposive sampling, criteria: conventional bank open shariah unit, and consequently in the shadow of one the name of a firm. The conventional and shariah banks do publication on the report financial routinely during the period used in research. Based of these criteria obtained 12 banking qualified to are only sampled research this time, the bank was 6 of conventional banks are BNI Bank, BRI Bank, BCA Bank, Mandiri Bank, Bukopin Bank, Panin Bank, and 6 syariah bank they were BNI Syariah, BRI Syariah, BCA Syariah, Syariah Mandiri, Bukopin Syariah, as well as Panin Syariah Bank.

The method of analysis the data used in this research was analysis descriptive statistics, test normality data, statistical tests parametrik paired sample t-test. The statistical tests non parametrics. Dependent variable in this research was financial performance, financial performance is a description exceed the economic who was collected by the company or banking at a particular period through activities company to yield a profit efficiently and effectively that can be measured progress by means of analyzed data -- financial data included in a financial filing.

Figure. 1 The model of Research



The solvability of which is an indicator for determine the level of capital adequacy. The level of the solvability of it can be seen by using the ratio of capital adequacy ratio. Indonesia Bank set car as a duty provision of capital minimum must always be defended by every bank as a specific proportions of the total asset of weighted. The quality of assets productive the quality of assets productive used to assessed the condition of assets a bank, including anticipation over risk failed to pay of credit or funding that will appear. Non performing loan (NPL) can be used to know the level the quality of assets productive. Rentability is indicators determine the level of efficiency business between profitably with the result that causes profit. Rentability can be measured by return on assets (ROA) and return on equity (ROE). Liquidity is indicators for measuring the degree of the ability an enterprise in fulfill their obligations. Liquidity were identified with loan on deposit ratio (LDR).

Results and Discussion

The study is done to know the difference in the financial performance between conventional bank and syariah bank by using capital adequacy ratio (CAR) that represents the ratio solvability, non performing loan (NPL) representing the ratio the quality of assets productive, return on equity and return on assets (ROA, ROE) that represents the ratio rentability, loan on deposit ratio (LDR) that represents the ratio liquidity have the difference in the financial performance significant.

Table 1. Result of Statistic Description Test

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
CAR	48	11.10	61.98	18.4629	8.90888
NPL	48	.10	4.59	1.3438	1.24324
ROA	48	.08	5.15	2.1715	1.40842
ROE	48	.44	42.49	16.1548	11.02818
LDR	48	61.70	167.70	87.2021	14.89180
Valid N (listwise)	48				

Source: Primary data, 2015

All of the maximum and minimum variables positive. The table was in detail can be explained as follows: (1). The CAR has value of minimum 11,10 and value of mean the maximum 61,98 as well as the mean of 18,4629 to 8,90888 and displacement of 6 on the number of samples from conventional and syariah banks. (2). The NPL has value of minimum of 0,10 and the value of the maximum of mean 4,59 of raw 1,24324 to 1,3438 and displacement of 6 on the number of samples from conventional and syariah banks. (3). The ROA has value minimum of 0,08 and the value of the maximum 5,15 of raw 1,40842 to 2,1715 and displacement of 6 on the number of samples from conventional and syariah banks. (4) Variable of ROE having value minimum by 0.44 and value of maximum 42.49 as much as the average value of as much as 16,1548 and raw by way of 11,02818 on the number of samples from 6 that of conventional and 6 syariah banks.

(5) Variable of LDR have a value of as much as that was collected minimum and maximum value of 167,70 the average value of as much as 87,2021 and raw by way of 14,89180 on the number of samples from 6 that of conventional and 6 syariah banks. The result of calculation kolmogorov-smirnov data can be otherwise normal significant when the larger than α ($p > 0,05$). Based on such used in this study that the values asymp.sig for all variable used in this study $> 0,05$ it can be conclusion that the data used normally distribution. This in turn the different used is parametric with paired sample t – test. The result of calculation kolmogorov-smirnov data can be otherwise normal significant when the larger than α ($p > 0,05$).

Table 2. Result of Kolmogorov-Smirnov Test

		CAR	NPL	ROA	ROE	LDR
N		48	48	48	48	48
Normal Parameters ^{a,b}	Mean	.5487	1.3438	2.1715	16.1548	87.2021
	Std. Deviation	.05860	1.24324	1.40842	11.02818	14.89180
Most Extreme Differences	Absolute	.195	.159	.157	.098	.189
	Positive	.195	.157	.157	.098	.189
	Negative	-.112	-.159	-.113	-.077	-.131
Kolmogorov-Smirnov Z		1.351	1.099	1.085	.679	1.312
Asymp. Sig. (2-tailed)		.052	.179	.190	.746	.064

a. Test distribution is Normal.

b. Calculated from data.

Source: Primary data, 2015

All have a positive variable its mean value. The table was in detail can be explained as follows: (1). The CAR has its mean value of conventional banks 15,6662, while its mean value its mean value 21.2596 syariah banks have seen the value of his CAR mean that higher syariah banks, this shows that the better shariah bank of capital adequacy. (2). The conventional banks have stood its mean value 0, 9100 while syariah banks having its mean value 1,7775, meaning the value of its higher syariah banking. This shows that financial performance in terms of NPF is better of conventional banks, because if the banks means NPF higher has 3 troubled of credit risk. The variable ROA of conventional banks have 3, 1754 its mean value, while ROA is 1,1675 of syariah banks having its mean value, means higher of value ROA of conventional banks, and financial performance when seen from the ROA better of conventional banks. Variable ROE of conventional banks it has value mean 24,3775, while ROE of syariah bank having its mean value 7,9321, means value ROE higher of conventional banks, so that financial performance if seen from the ROE better conventional bank. The variable of LDR of conventional banks having its mean value 80.4008, while LDR in syariah bank having its mean value 94.0033, means value LDR higher syariah banks, so that financial performance if seen from the LDR better syariah banks.

Table3. Result of Paired Sample Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	CARkov	15.6662	24	1.40863	.28754
	CARsyar	21.2596	24	11.99501	2.44847
Pair 2	NPLkov	.9100	24	.70337	.14357
	NPLsyar	1.7775	24	1.50703	.30762
Pair 3	ROAkov	3.1754	24	1.15369	.23550
	ROAsyar	1.1675	24	.78678	.16060
Pair 4	ROEkov	24.3775	24	8.02400	1.63789
	ROEsyar	7.9321	24	6.56045	1.33915
Pair 5	LDRkov	80.4008	24	7.18899	1.46745
	LDRsyar	94.0033	24	17.46297	3.56461

Source: Primary data, 2015

Table 4. Result of Paired Differences Sample

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 CAR _{kov} - CAR _s	5.59333	12.16975	2.48414	0.73217	-.45450	-2.252	23	.034
Pair 2 NPL _{kov} - NPL _s	-.86750	1.21768	.24856	-1.38168	-.35332	-3.490	23	.002
Pair 3 ROA _{kov} - ROA _s	2.00792	1.53203	.31272	1.36100	2.65483	6.421	23	.000
Pair 4 ROE _{kov} - ROE _s	6.44542	10.34796	2.11227	2.07585	0.81498	7.786	23	.000
Pair 5 LDR _{kov} - LDR _s	3.60250	16.78901	3.42704	0.69188	-6.51312	-3.969	23	.001

Source: Primary data, 2015

Based on the different paired sample t-test, the results of comparison between conventional banks with a bank industry is as follows: (1) Variable current adequacy ratio (CAR) between conventional bank with syariah bank have distinctions are significant with a significance 0.034 ($p < 0,05$), thus H1 was accepted. This means variable CAR between conventional bank with syariah bank have the difference, significant. The result of this research does not support researchers old namely research of Hotijah (2008). (2) Variable non performing loan (NPL) its between of conventional banks with syariah banks have significant differences with a significance 0.02 ($p < 0,05$), thus H2 was accepted. This means variable its between conventional with syariah banks have significant differences. The result of this research support the research of Ferry and Iwan (2008). (3) The variable of return on assets (ROA) between conventional with syariah banks have significant differences with a significance of 0,000 ($p < 0,05$), thus H3 was accepted. This means variable ROA between conventional with syariah banks have significant differences. This research support the research of Abustan (2009). (4) The variable of return on equity (ROE) between of conventional with syariah banks have significant differences with a significance of 0,000 ($p < 0,05$), thus H4 was accepted. This means variable ROE between conventional with syariah banks have significant differences. The result of this research not in favor of research Deasy and Muhammad (2011), and (5) the variable of loan on deposit ratio (LDR) between of conventional banks with syariah banks have significant differences with a significance of 0,001 ($p < 0,05$), thus H5 was accepted. This means variable LDR between conventional with syariah banks have significant.

Conclusions

Based on the results of tests carried out in this research, by using different paired test sample t-test and test it different wilcoxon then a conclusion can be drawn as follows: variable current adequacy ratio (CAR) that represents the solvability of the ratio, variable non performing loan (the non-performing) that represents the ratio of the quality of productive assets, variable return on assets (ROA), variable return on equity (ROE) and variable loan on deposit ratio (LDR) that represents rentability the ratio between that of conventional banks with syariah bank have a significant difference. Next advice for the banking sector which has been used for samples to this research, in order to increase capital adequacy being indicated by the capital adequacy ratio (CAR).

This can be done by raising assets having reduced the number of assets containing or yielding risk, for example to increase the number of credit granted and increasing the number of securities distributed to make bank is able to finance operating had contributed large enough for profitability. Expected to credit management management improved especially seen factor-faktor cause of the loan defaults, for example have to apply the principle of carefully in analysis credit so that the NPL/NPF stood out of control with optimal.

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