

# Does The Principle of Running a Business in Conventional Vs Sharia Become Differentiator? Study On Banking Industry in Indonesia 2009- 2014

**Ahmad Adriansyah**

Indonesia Banking School

[ahmad.adriansyah@ibs.ac.id](mailto:ahmad.adriansyah@ibs.ac.id)

**Fathoni Zoebaedi**

Indonesia Banking School

[fathony.zoebaedi@ibs.ac.id](mailto:fathony.zoebaedi@ibs.ac.id)

**Ramzi A. Zuhdi**

Indonesia Banking School

[ramzi.zuhdi@ibs.ac.id](mailto:ramzi.zuhdi@ibs.ac.id)

## **Abstract**

Compared to conventional bank, Islamic banking industry in Indonesia is still in its early development stage. Islamic bank has different characteristic, and therefore there is a special regulation for Islamic bank. Research conducted in 22 countries (including Indonesia), shows that Islamic banking has differences with conventional banking in term of business orientation, efficiency, asset quality and stability. Another research of 13 countries (not including Indonesia), show that Islamic banking performance is lower than conventional banking (Ariss, 2010). Islamic banking in Indonesia has a unique characteristic. Most of Islamic banking in Indonesia is converted from conventional bank, owned by conventional bank or originated from a conventional bank. Some resources of Islamic bank come from conventional banking even some of them still using resource from their conventional bank as their parent. This result raises a question, whether in the context of Islamic banking in Indonesia, its performance is significantly different from conventional banks. To answer the research questions above, we do a t-test on ROA and ROE Islamic banks and conventional banks from 2009-2014. The results showed that there was no significant difference between the financial performances of Islamic banks with conventional banks, except for 2014. In 2014 Islamic bank's ROE is lower than conventional banks. This research opens the opportunity to study the factors that could cause a difference in the performance of Islamic banks vs conventional banks.

**Keywords:** Islamic Bank, Conventional Bank, ROA, ROE, Indonesia

Membandingkan dengan bank konvensional, industri perbankan syariah di Indonesia relatif masih dalam tahap pengembangan awal. Bank syariah berbeda dengan bank konvensional, dan oleh karena itu ada peraturan khusus untuk bank syariah. Penelitian yang dilakukan di 22 negara (termasuk Indonesia), menunjukkan bahwa perbankan syariah memiliki perbedaan dengan perbankan konvensional dalam hal orientasi bisnis, efisiensi, kualitas aset dan stabilitas. Penelitian 13 negara (tidak termasuk Indonesia), menunjukkan bahwa kinerja perbankan syariah lebih rendah dari perbankan konvensional (Ariss, 2010). Perbankan syariah di Indonesia memiliki ciri khas yang unik. Sebagian besar perbankan syariah di Indonesia diubah dari bank konvensional, yang dimiliki oleh bank konvensional atau berasal dari bank konvensional. Beberapa sumber daya dari bank syariah berasal dari perbankan konvensional bahkan beberapa dari mereka masih menggunakan sumber daya dari bank konvensional mereka sebagai orang tua mereka. Hasil ini menimbulkan pertanyaan, apakah dalam konteks perbankan syariah di Indonesia, kinerjanya secara signifikan berbeda dari bank konvensional. Untuk menjawab pertanyaan penelitian di atas, kita melakukan uji t pada bank ROA and ROE syariah dan bank konvensional dari 2009-2014. Hasil penelitian menunjukkan bahwa tidak ada perbedaan yang signifikan antara kinerja keuangan bank syariah dengan bank konvensional, kecuali 2014. Pada tahun 2014 bank syariah ROE lebih rendah dari bank konvensional. Penelitian ini membuka kesempatan untuk mempelajari faktor-faktor yang dapat menyebabkan perbedaan dalam kinerja bank syariah vs bank konvensional.

**Kata Kunci:** Islamic Bank, Bank Konvensional, ROA, ROE, Indonesia

## **Introduction**

### *Problem*

Company must continuously seek and maintain its competitive advantage. Successful company can lose its competitive advantage and get bankrupt or acquiesced. It occurs in many industries including financial industry especially banking. History of banking industry has seen the fall down of big banks which they must join or get acquiesced with another bank. As an example, Bank Duta and Bank Universal merged into Bank Permata, four state-own bank must be combined into Bank Mandiri, etc.

Aforementioned cases are bank cases in Indonesia which conduct banking activity with conventional bank principles. During the development, in Indonesia, there is a new banking industry that is sharia banking. The establishment of Bank Muamalat as first sharia bank in 1<sup>st</sup> May 1992 marks the beginning of this banking industry. Afterwards there was establishment of Bank Perkreditan Rakyat Syariah, such as BPRS Berkah Amal

Sejahtera and BPRS Anda Mardhatillah (19 Agustus 1991), BPRS Amanah Rabaniah (24 Oktober 1991) and BPRS Hareukat (10 November 1991 di Aceh),

During the development, regulator assessed that sharia bank is quite different from conventional banks. Indonesian parliament issued Sharia Bank Act which is Act no. 21 2008, in addition to conventional bank regulation, Act no. 10 year 1998 which is imposed to all type of bank. One of the differences is that sharia bank is allowed to collect social funding in the form of Baitul Mal. It is funded from *zakat*, *infaq*, *sodaqoh*, *hibah*, or other social fund and it can distribute the funds to organization that manage *zakat*. Meanwhile, conventional bank this practice can't be conducted. It means there is already one different business feature between sharia and conventional bank.

Sharia bank in other hand has limitation compared to conventional bank. Sharia bank is not allowed to fund industry which produces haram stuffs in fiqh perception. Sharia bank is not allowed to take profit from interest although sharia bank is also having business with conventional bank which use interests.

Result of research which discusses differences between sharia bank vs conventional bank in countries with sharia bank and conventional bank shows different result. Ariss's research (2010) in 13 countries (excluding Indonesia) shows that Sharia Bank is less competitive than conventional bank. Meanwhile, Demircuc-Kunt and Merrouche (2010) stated that there are only few differences between sharia vs conventional, especially on business orientation, efficiency, asset quality, and stability. Research of Demircuc-Kunt and Merrouche (2010), was conducted in 22 countries (including Indonesia) in 2007.

Another uncommon situation in Indonesia is the close relations between sharia bank and conventional bank. Some syariah bank is conventional bank that is converted to sharia such as Bank Syariah Mandiri that was a conversion of PT Bank Susila Bakti, and recently BTPN syariah which is a conversion of Bank Sahabat Purba.

The executives of sharia bank are also from conventional bank, such as CEO of Bank Syariah Mandiri, Mr. Agus Sudiarto is previously Senior Vice President Special Asset Management in Bank Mandiri. Another example is commissioner of Bank Muamalat Indonesia, Mr. Widigdo Sukarman. He was CEO of Bank Papan Sejahtera and director of BNI. Some sharia banks are still subsidiary of conventional bank, such as UUS Bank Niaga.

Even though Indonesia has had sharia bank since 1994 (Bank Muamalat Indonesia), specific regulation on sharia bank was just issued in 2008 and university with specific program on sharia was just established in 2007/2008 in Airlangga University. Master degree on sharia banking was just established in the late 1990 or in the beginning

of 2000 in University of Indonesia (PSTII post-bachelor program), Trisakti University, and Airlangga University Surabaya.

The discussions show that development of sharia bank and its supporting infrastructure is not moving fast even though Indonesia has huge market. This situation brings up a question on the real differences between sharia and conventional bank in terms of financial aspect especially since 2009 (Sharia Bank Act year 2008) up until now. And is there a trend of sharia bank which makes it more different from conventional bank.

#### *Problem formulation*

From the background, on the study main problem that will be studied in this research is whether there is significant difference between sharia bank and conventional one. Furthermore, this research also tries to examine, according to data in 6 years, whether there is a trend in sharia banking that makes it different from conventional bank or it's just the same.

Details issues to be answered in this study are:

1. Is ROA of sharia bank significantly different from ROA of conventional bank in 2009?
2. Is ROA of sharia bank significantly different from ROA of conventional bank in 2010?
3. Is ROA of sharia bank significantly different from ROA of conventional bank in 2011?
4. Is ROA of sharia bank significantly different from ROA of conventional bank in 2012?
5. Is ROA of sharia bank significantly different from ROA of conventional bank in 2013?
6. Is ROA of sharia bank significantly different from ROA of conventional bank in 2014?
7. Is ROE of sharia bank significantly different from ROE of conventional bank in 2009?
8. Is ROE of sharia bank significantly different from ROE of conventional bank in 2010?
9. Is ROE of sharia bank significantly different from ROE of conventional bank in 2011?
10. Is ROE of sharia bank significantly different from ROE of conventional bank in 2012?
11. Is ROE of sharia bank significantly different from ROE of conventional bank in 2013?
12. Is ROE of sharia bank significantly different from ROE of conventional bank in 2014?

#### *Scope of problem*

Based on definition of Sharia Bank in Act no 21 year 2008, sharia bank is an independent company or sharia business unit that has its main office in conventional bank. This research only focuses on sharia bank which has taken organizational form as research's limitation for sharia bank. Meanwhile conventional bank in this context is conventional bank with equal size with sharia bank.

### *Objectives and Benefit*

The development of sharia bank in Indonesia is very significant and its role in banking industry generally is getting more dominant. Business prospect of sharia bank is also quite good. One of its indicators is the increasing number of sharia bank which has reached 12 banks. Nevertheless, we need to admit that sharia bank is still new and small in comparison to conventional bank. Because it is still relatively new, specific research for sharia bank is still limited in number. Thus, regulator encourages research about sharia bank.

This research aims to make ground for future sharia bank vs conventional bank. If there is significant difference, future research can be directed to find dominant factors as source of competitive advantage from sharia and conventional bank. If there is no significant difference, future researcher can study the triggering factors.

### **Literature Review**

#### *Organizational Performance*

In the strategic management perspective, sustainable competitive advantage is an end-goal that company wants to achieve (Barney, 1986; Porter, 1985). Because of that, researcher has tried to find factors that can make a company more excellent than other companies. The factors can come from outside organization (external factor) and also from within organization (internal factor). External factors are regulation from government, level of competition, company's position in front of producer and consumers, etc. Internal factor can come from situation of company's resource including human resource, financial resource, knowledge resource, etc.

Multiple sources and perspectives in seeing competitive advantage bring up definition and proxy of measurement. One of definition and the use of proxy are stated by Epetimehin, (2011). He used organization's internal factor in the form of organizational performance as competitive advantage of company.

Internal factor of organization performance can consist of many factors. One expert uses four perspectives in determining organization performance. They are learning and growth, operational, consumer, and financial perspective. It is known as balanced scorecard (Kaplan and Norton, 2001). Balanced scorecard says that company's performance is based on human resources and infrastructure (learning and growth perspective). This performance will result on consumer's satisfaction that eventually will result on company's financial performance. Without financial performance, the other three performances (consumer, operational, learning and growth) will be useless. It can be basis of the use of financial performance as proxy to represent overall organization performance.

There are other important aspects related to organization performance. For example, whether the performance will be measured as independent construct, whether the performance will be compared to the performance of its own company last year, or whether it will be compared to other companies or performance in the same industry. For example, profit level. Performance measurement can use ongoing profit level. It can use the increase of profit in comparison to last year. It can use comparison of company's profit level to industry's average profit level. Each measurement has its positive and negative side.

In this context, measurement of organization's performance used ongoing profit level because it is more simple and applicable because this research was conducted in many banks with various characteristic and different past years.

In the context of banking, many researcher state that bank's financial performance is influenced by size of bank. Thus, bank's big factor must be controlled so the measurement of bank performance can be made and compared to other bank. Measurement of bank's profit with control over size of bank is *Return on Asset (ROA)* and *Return on Equity (ROE)*. Both ratio same used as item in measuring banks performance that becomes object of this research. Besides, this research also controls research's sample that is bank in the same Bank Umum Kelompok Usaha (BUKU) category.

#### *Sharia Bank Vs Conventional Bank*

Sharia bank has similarities and differences with conventional bank. The similarity is both are entity that collect fund and re-distribute it to society. In Indonesia, it has almost the same type. In conventional bank, there is general banking so is sharia bank. If there is conventional bank in people's financing bank, there is sharia people's financing bank. Another similarity is the categorization bank according to bank's capital (BUKU).

Nevertheless, both have significant and fundamental differences. It underlies consideration on publication of Act of Sharia Bank no. 21 year 2008 where in point C, it is stated that "Sharia bank has specification compared to conventional bank" (Act No. 21 year 2008, 1). Thus, the definition of sharia bank is "a bank that run its business in accordance to Sharia Principles (Act no 21 years 2008, 3). Sharia principles is "Islamic law principles in banking activity according to fatwa The principle of Sharia itself as an "Islamic legal principles in banking activities by the fatwa issued by the agency that has the authority in setting the fatwa in the field of sharia" (Law No. 21 of 2008, 3).

Some uniqueness of sharia banking in Indonesia is sharia banking is not only taking form sharia banking but also sharia business unit which is under conventional bank. It means sharia business unit still has correlation with conventional bank which runs its

business without sharia principles. Sharia Business Unit is conducted in its operational in the parent company's office.

Sharia bank's product requires not only permits from regulator but also fatwa from National Sharia Council-MUI. Products and its overall process in sharia bank must not contain *riba*, *maisir*, *gharar*, *haram*, and *zalim*. It means that sharia bank is not allowed to do transaction that might cause one party have a potential to get loss and produce haram products such as alcohol and gambling.

Transaction in sharia bank is based on *akad* which is agreed in the beginning of transaction. *Akad* is a written agreement between sharia bank or sharia business unit with other party which state rights and responsibility for each parties according to sharia principles (UU no 21 year 2008, 4). *Akad* for banking products have been regulated on above regulation (UU no 21 year 2008, 4-6), they are

1. Saving is pool of money that customer trust to sharia bank and/or sharia business unit based *Akad wadi'ah* or other *Akad* which is not against Syariah principles and in the form of Gyro, savings, or any other forms of equivalent.
2. Bank account is a saving according to *Akad wadi'ah* or fund investment according to *Akad mudharabah* or other *akad* which is not against sharia principles. The withdrawal can only be done by following agreed terms and condition. However, it can't be withdrawn using check, transform form, and/or other tool in the equivalent.
3. Deposit is an investment based on *Akad mudharabah* or other *akad* which is not against sharia principles which its withdrawal can only be done on certain period time according to *Akad* between customer and sharia banking/sharia business unit.
4. *Gyro* is a saving according to *Akad wadi'ah* or sharia principles which the withdrawal can be anytime by using check, bilyet giro, or other payment method, and other entry.
5. Investment is trusted fund by customer to sharia bank and/or sharia business bank based on *Akad mudharabah* or other *akad* which is not against sharia principles in the form of deposit, bank account, or other equivalent form.
6. Financing is the provision of funds or bills which is equivalent to it in the form of:
  - a. Profit sharing transaction in the form of *mudharabah* and *musyarakah*.
  - b. Leasing transaction in the form of *ijarah* or purchase leasing in the form *ijarah muntahiya bit tamlik*;
  - c. Selling and purchasing transaction in the form of *murabaha*, *salam*, and *istishna*;
  - d. Lending-borrowing transactions in the form of *qardh*;
  - e. Service-rent transactions in the form of *ijarah* for multi-service transaction based on agreements between the Sharia Bank and/or Sharia Business Unite and other party that require funded party to return repay the funds after a certain period of

time in exchange for ujah, without reward, or profit sharing. Pembiayaan adalah penyediaan anda atau tagihan yang dipersamakan dengan itu berupa:

7. Collateral is an additional security, both in moving objects and non-moving objects which is given by the owner to Sharia Bank and/or Sharia Business Unit to guarantee acquittal of obligation of customer who receives the facility.
8. Storage is a treasury according to Akad between sharia bank or sharia business unit and saver with provision that sharia bank and sharia business unit does not own the fund.
9. *Wali Amanat* is Sharia Bank that represents security holder based on Akad wakalah between sharia Bank and security holder.

#### *Conceptual model and hypothesis development*

Research by Ariss (2010) in 13 countries (excluding Indonesia) states that Sharia Bank is less competitive than conventional bank. In another research (Demirguc-Kunt and Merrouche, 2010), there is a very few differences between Sharia Bank and Conventional bank in terms of business orientation, efficiency, asset quality, and stability. Research by Demirguc in 13 countries (excluding Indonesia) states that Sharia Bank is less competitive than conventional bank. Research of Demirguc-Kunt and merrouche (2010) in 22 countries (including Indonesia) in 2007. There are two contradictions in two studies above. It raises question on whether activity of Sharia Bank is different from conventional bank. Besides, it is also important to study the differences in the context of banking industry in Indonesia especially after there is special regulation that oversee Sharia Bank (UU no. 21 year 2008). Thus, we draw hypothesis as follow:

- H1a: There is a significant difference between ROA of Sharia Bank and ROA of Conventional Bank in 2009.
- H1b: There is a significant difference between ROA of Sharia Bank and ROA of Conventional Bank in 2010.
- H1c: There is a significant difference between ROA of Sharia Bank and ROA of Conventional bank in 2011.
- H1d: There is a significant difference between ROA of Sharia Bank and ROA of Conventional bank 2012.
- H1e: There is a significant difference between ROA of Sharia Bank and ROA of Conventional bank 2013.
- H1f: There is a significant difference between ROE of Sharia Bank and ROE of Conventional bank 2014.



- H2a: There is a significant difference between ROE of Sharia Bank and ROE of Conventional bank 2009.
- H2b: There is a significant difference between ROE of Sharia Bank and ROE of Conventional bank 2010.
- H2c: There is a significant difference between ROE of Sharia Bank and ROE of Conventional bank 2011.
- H2d: There is a significant difference between ROE of Sharia Bank and ROE of Conventional bank 2012.
- H2e: There is a significant difference between ROE of Sharia Bank and ROE of Conventional bank 2013.
- H2f: There is a significant difference between ROE of Sharia Bank and ROE of Conventional bank 2014.

## **Methods**

### *Variable Operational Definition and Overall Research Model*

ROA and ROE data of conventional bank can be accessed in Bank Indonesia official website as regulator of banking in Indonesia. ROA and ROE data is data at the end of the year (per December on particular year). Sharia Bank and Conventional Bank definition follows definition of Act No. 21 Year 2008 which the classification can be seen on the Bank Indonesia website.

### *Research Design*

Number of sharia bank vs conventional bank follows actual number of bank on certain year. Number of sharia bank and conventional bank can change in the next year. It is because there is corporate action such as merger, acquisition, or conversion from conventional bank to sharia bank. Hypothesis 1 and 2 examinations will be conducted with t test and the use of SPSS 21.

On the above, it is said that this research controls research's sample based on total of bank's capital (BUKU Bank). Because all Sharia Banks in Indonesia in 2009-2014 are in BUKU 1 and BUKU 2, conventional bank as the comparator will be bank in BUKU 1 & BUKU 2. Sharia Bank and Conventional Bank in BUKU 1 and BUKU 2 will be sample target of this research.

### *Research sample*

In the previous section, it is stated that this research is conducted by comparing sharia bank and conventional bank which have the same capital, in BUKU 1 (Bank with core capital less than 1 Billions) and BUKU 2 (Bank with core capital between Rp 1 Billion to 5

Billion with core capital Rp1 Trillion to less than Rp5 Trillion). As a note, Sharia Business Unit of conventional bank can't be sample of this research. Source of data can be accessed from website of Indonesia central bank. All sharia as sample for this research are:

1. BNI Syariah (BNIS)
2. Mega Syariah (BSMI)
3. Muamalat (BMI)
4. Syariah mandiri (BSM)
5. BRI Syariah (BRIS)
6. BCA Syariah (BCAS)
7. Jabar Banten Syariah (BJBS)
8. Panin Syariah (BPS)
9. Syariah Bukopin (BSB)
10. Victoria Syariah (BVS)
11. Maybank Syariah Indonesia

Out of 68 conventional banks in BUKU 1 and BUKU 2, there are only 58 banks used in this research. The other 10 banks can't be used due to incomplete data in the website of Bank Indonesia. The 58 banks are:

- |   |                                       |
|---|---------------------------------------|
| 1. BPD Jawa Tengah                        | 30. Bank Victoria International       |
| 2. Bank Mayapada International            | 31. Prima Master Bank                 |
| 3. ICBC Indonesia Bank                    | 32. Bank Resona Perandia              |
| 4. BPD Kalimantan Timur                   | 33. PT Bank Index Selindo             |
| 5. Ekonomi Raharja Bank                   | 34. PT Bank Bnp Paribas Indonesia     |
| 6. Bank of DKI                            | 35. PT Bank Sinarmas, Tbk             |
| 7. BPD Bali                               | 36. PT Bank Artha Graha Internasional |
| 8. BPD Kalimantan Selatan                 | 37. PT Bank Mestika Dharma            |
| 9. BPD Sumatera Selatan & Bangka Belitung | 38. PT Bank Hana                      |
| 10. Bank of Aceh                          | 39. PT Bank Nationalnobu              |
| 11. BPD Papua                             | 40. PT Bank Bumi Arta, Tbk            |
| 12. BPD Nusa Tenggara Timur               | 41. PT Bank Kalimantan Tengah         |
| 13. PT BPD Jambi                          | 42. PT Bank Pundi Indonesia           |
| 14. PT. BPD Nusa Tenggara Barat           | 43. PT Bank Capital Indonesia,        |
| 15. BPD Sulawesi Utara                    | 44. PT Bank Jasa Jakarta              |
| 16. BPD Bengkulu                          | 45. PT. BPD Sulawesi Tengah           |
| 17. BPD Lampung                           | 46. PT Bank Yudha Bhakti              |
| 18. BPD Maluku                            | 47. PT Bank Maspion Indonesia         |

- |   |                                   |
|---|-----------------------------------|
| 19. The Royal Bank Of Scotland            | 48. PT Bank SBI Indonesia         |
| 20. Rabobank International Indonesia Bank | 49. PT Bank Agris                 |
| 21. BPD Sulawesi Tenggara                 | 50. PT Bank Kesejahteraan Ekonomi |
| 22. Sahabat Sampoerna Bank                | 51. PT Bank Sinar Harapan Bali    |
| 23. BPD Yogyakarta                        | 52. PT Bank Ina Peranda           |
| 24. Bank Of India Indonesia               | 53. PT Bank Metro Express         |
| 25. Bank Bisnis Internasional             | 54. PT Bank Dinar Indonesia       |
| 26. Bank Fama Internasional               | 55. PT Bank Mitraniaga            |
| 27. Bank Harda Internasional              | 56. PT Bank Artos Indonesia       |
| 28. Woori Indonesia Bank                  | 57. PT Bank Ganesha               |
| 29. Bank Mayora                           | 58. PT Bank Andara                |

## Result and Discussion

### *Scores of Islamic Banking and Conventional Performance 2009-2014*

Financial performance that will be compared is *Return on Asset (ROA)* and *Return on Equity (ROE)*. ROA and ROE data can be obtained from Bank Indonesia official website ([www.bi.go.id](http://www.bi.go.id)). ROA Data can be seen in table 4.1 meanwhile ROE in table 4.2.

Table 4.1. ROA Sample Data 2009-2014

<b>Sharia Bank</b>	2014	2013	2012	2011	2010	2009
1. Bank BNI Syariah	1	1	1	1	0	0
2. Mega Svariah	0	2	3	1	1	2
3. Muamalat	0	0	1	1	1	0
4. Svariah Mandiri	0	1	2	1	2	2
5. Bank Bri Sharia	0	1	1	0	0	0
6. Bank Bca Sharia	0	1	0	0	0	0
7. Bank Jabar Banten Sharia	0	0	0	1	0	0
8. Bank Panin Sharia	1	1	3	1	-2	-1
9. Bank Sharia Bukopin	2	7	0	0	0	0
10. Bank Victoria Sharia	-1	0	1	6	1	0
11. Bank Maybank Sharia Indonesia	3	2	2	3	4	5
<b>Conventional Bank</b>						
1. BPD Jawa Tengah	2	3	2	2	2	4
2. Bank Mayapada International	1	2	2	2	1	0
3. Bank ICBC Indonesia	1	1	1	0	0	0
4. BPD Kalimantan Timur	2	2	2	3	5	3
5. Bank Ekonomi Raharja	0	1	1	1	1	2
6. Bank DKI	2	1	1	2	1	2
7. BPD Bali	3	3	4	3	3	4
8. BPD Kalimantan Selatan	2	2	1	2	4	3
9. BPD Sumatera Selatan And	2	1	1	6	2	2
10. BANK Aceh	3	3	3	2	1	3
11. BPD Papua	1	2	2	3	2	3
12. BPD Nusa Tenggara Timur	3	3	3	4	4	4
13. PT BPD Jambi	3	4	3	3	5	5
14. PT. BPD Nusa Tenggara Barat	4	5	5	5	6	4
15. BPD Sulawesi Utara	2	3	2	2	3	1
16. BPD Bengkulu	3	4	3	3	4	3
17. BPD Lampung	3	1	2	3	5	3
18. BPD Maluku	0	3	3	4	3	3

19. The Royal Bank Of Scotland	1	2	0	0	0	0
20. Bank Rabobank International	0	0	0	0	0	1
21. BPD Sulawesi Tenggara	4	4	5	7	6	5
22. BANK Sahabat Sampoerna	1	1	0	0	3	3
23. BPD Yogyakarta	2	2	2	2	2	3
24. Bank Of India Indonesia	3	3	3	3	2	3
25. Bank Bisnis Internasional	2	2	1	2	3	3
26. Bank Fama Internasional	2	3	3	4	4	4
27. Bank Harda Internasional	0	1	1	1	1	0
28. Bank Woori Indonesia	3	5	3	4	4	5
29. Bank Mayora	0	0	0	0	1	0
30. Bank Victoria International	0	1	0	0	1	1
31. Prima Master Bank	0	0	0	0	0	0
32. Bank Resona Perandia	1	4	3	3	3	3
33. PT Bank Index Selindo	2	2	2	1	1	1
34. PT Bank Hana	2	2	1	1	1	0
35. PT Bank Sinarmas, Tbk	1	1	1	1	1	0
36. PT Bank Artha Graha	0	1	0	0	0	0
37. PT Bank Mestika Dharma	3	5	5	4	3	4
38. PT Bank Bnp Paribas Indonesia	4	1	1	3	5	11
39. PT Bank Nationalnobu	0	0	0	1	2	2
40. PT Bank Bumi Arta, Tbk	1	2	2	2	1	2
41. PT Bank Kalimantan Tengah	4	3	3	3	3	2
42. PT Bank Pundi Indonesia,	-1	1	0	-4	-12	-7
43. PT Bank Capital Indonesia,	1	1	1	0	0	1
44. PT Bank Jasa Jakarta	2	2	2	2	2	3
45. PT. BPD Sulawesi Tengah	3	3	1	3	5	4
46. PT Bank Yudha Bhakti	0	0	1	1	1	0
47. PT Bank Maspion Indonesia	0	1	1	1	1	1
48. PT Bank SBI Indonesia	0	0	0	1	0	0
49. PT Bank Aqris	0	0	0	2	1	2
50. PT Bank Kesejahteraan Ekonomi	0	2	2	2	2	2
51. PT Bank Sinar Harapan Bali	2	2	2	2	2	3
52. PT Bank Ina Peranda	1	0	1	0	1	2
53. PT Bank Metro Express	1	0	0	1	1	2
54. PT Bank Dinar Indonesia	0	1	1	2	1	2
55. PT Bank Mitraniaga	0	0	0	0	0	0
56. PT Bank Artos Indonesia	0	0	0	0	0	0
57. PT Bank Ganesha	0	0	0	0	1	0
58. PT Bank Andara	-1	-1	0	-5	-7	-15

From the data above, it can be seen that there is sharia and conventional bank with positive ROA (bank gains profit) and negative ROA (bank suffers loss). The biggest profit earning bank is PT Bank BNP Paribas Indonesia (conventional bank) in 2009 with total 11%, meanwhile bank with the biggest loss is Bank Andara (conventional bank) in 2009 with total -15%. Bank Sharia Bukopin in 2013 becomes the highest profit earning bank with 7% total profit. Meanwhile Bank Panin Sharia suffers the biggest loss by 2% in 2010. ROE data can be seen on the table 4.2.

Tabel 4.2. ROE Data of research sample 2009-2014

<i>Bank Syariah</i>	2014	2013	2012	2011	2010	2009
1. Bank BNI Syariah	13	11	10	6	3	0
2. Mega Syariah	2	26	57	16	26	39
3. Muamalat	2	11	29	20	17	8
4. Syariah Mandiri	4	44	68	64	62	44
5. Bank Bri Syariah	0	10	10	1	1	3
6. Bank Bca Syariah	2	4	2	2	1	0

7. Bank Jabar Banten Syariah	3	4	2	3	1	0
8. Bank Panin Syariah	7	4	7	2	-4	-1
9. Bank Syariah Bukopin	2	3	7	6	9	0
10. Bank Victoria Syariah	-17	3	9	18	2	0
11. Bank Maybank Syariah Indonesia	6	5	4	4	5	6
<i>Bank Konvensional</i>						
1. BPD Jawa Tengah	28	31	30	25	26	34
2. Bank Mayapada International	20	22	17	11	7	4
3. Bank ICBC Indonesia	9	11	10	4	1	2
4. BPD Kalimantan Timur	15	18	18	20	29	25
5. Bank Ekonomi Raharja	2	9	7	10	14	19
6. Bank DKI	2	3	28	31	28	31
7. BPD Bali	25	31	36	29	28	26
8. BPD Kalimantan Selatan	19	21	17	19	32	30
9. BPD Sumatera Selatan & Bangka	15	11	16	25	25	24
10. BANK Aceh	22	23	23	18	11	29
11. BPD Papua	6	17	17	21	22	28
12. BPD Nusa Tenggara Timur	24	27	27	25	22	19
13. PT BPD Jambi	19	23	25	31	48	29
14. PT. BPD Nusa Tenggara Barat	30	31	36	36	40	26
15. BPD Sulawesi Utara	23	36	30	23	32	19
16. BPD Bengkulu	32	37	30	19	34	26
17. BPD Lampung	34	17	27	28	46	27
18. BPD Maluku	0	27	36	41	31	31
19. The Royal Bank Of Scotland	1	4	0	0	-2	-1
20. Bank Rabobank International	1	3	1	3	8	11
21. BPD Sulawesi Tenggara	28	31	33	37	31	23
22. BANK Sahabat Sampoerna	5	5	0	0	11	11
23. BPD Yogyakarta	22	25	22	21	19	21
24. Bank Of India Indonesia	23	22	16	15	11	13
25. Bank Bisnis Internasional	7	6	4	5	5	5
26. Bank Fama Internasional	9	10	10	15	14	14
27. Bank Harda Internasional	6	5	13	11	11	5
28. Bank Woori Indonesia	8	13	9	12	11	15
29. Bank Mayora	2	2	0	1	4	2
30. Bank Victoria International	7	16	0	0	18	8
31. Prima Master Bank	6	6	5	3	2	3
32. Bank Resona Perandia	9	27	18	18	17	14
33. PT Bank Index Selindo	12	21	24	12	12	12
34. PT Bank Hana	10	9	4	4	5	0
35. PT Bank Sinarmas, Tbk	5	9	15	10	15	8
36. PT Bank Artha Graha Internasional	5	11	13	8	8	4
37. PT Bank Mestika Dharma	12	17	18	15	13	16
38. PT Bank Bnp Paribas Indonesia	15	5	4	5	5	17
39. PT Bank Nationalnobu	1	1	1	1	1	2
40. PT Bank Bumi Arta, Tbk	11	13	14	11	8	8
41. PT Bank Kalimantan Tengah	27	25	29	30	30	18
42. PT Bank Pundi Indonesia,	-16	14	9	-50	-84	-135
43. PT Bank Capital Indonesia,	8	10	8	5	5	6
44. PT Bank Jasa Jakarta	9	12	13	13	14	13
45. PT. BPD Sulawesi Tengah	24	20	9	15	28	21
46. PT Bank Yudha Bhakti	5	3	9	10	17	7
47. PT Bank Maspion Indonesia	4	6	6	12	10	8
48. PT Bank SBI Indonesia	4	9	6	11	5	3
49. PT Bank Agris	1	4	2	6	3	5
50. PT Bank Kesejahteraan Ekonomi	-5	18	21	22	19	13
51. PT Bank Sinar Harapan Bali	11	9	10	9	11	10
52. PT Bank Ina Peranda	5	5	11	1	5	13
53. PT Bank Metro Express	2	2	1	2	3	5
54. PT Bank Dinar Indonesia	1	3	2	5	2	4
55. PT Bank Mitraniaga	3	2	3	1	2	1
56. PT Bank Artos Indonesia	1	2	0	1	-1	0
57. PT Bank Ganesha	1	7	5	5	13	5
58. PT Bank Andara	-11	-18	-1	-14	-21	-25

From the data above, it can be seen that there are sharia and conventional banks with positive ROE (bank gains profit) and negative ROE (bank suffers loss). Bank with the biggest profit is PT Bank Sharia Mandiri in 2012 as big as 68%, while Bank with the biggest loss is Bank Pundi Indonesia with -135% losses. For conventional bank, the biggest profit earner is BPD Jambi in 2010 with 48% profit; meanwhile Sharia Bank with the biggest loss is Bank Victoria Sharia with -17% losses in 2014.

#### *Descriptive Data of Sharia and Conventional Bank 2009-2014*

Before examination to answer research question, it is needed to do descriptive analysis as additional analysis for this research. During 2009-2014 period, there are 11 Sharia bank in BUKU 1 and BUKU 2. Because this research examines the level of bank profit, this it is needed to control the size of bank. The control used in this research is by choosing sample of conventional bank that has the same size which is bank in BUKU 1 and BUKU 2 category. Indeed, there are 58 banks meeting the criteria and the data is available in the website of Indonesia Central Bank. From all samples, descriptive examination is conducted in the form of mean and deviation standard of ROA and ROE in 2009-2014. Result of descriptive examination can be seen in table 4.3.

Table 4.3. Result of Descriptive Test

Kinerja Keuangan	Prinsip	N	Mean	Std. Deviation
ROA2009	Syariah	11	,7273	1,67874
	Konvensional	58	1,7586	3,18610
ROA2010	Syariah	11	,6364	1,50151
	Konvensional	58	1,6897	2,74793
ROA2011	Syariah	11	1,3636	1,74773
	Konvensional	58	1,7241	1,98055
ROA2012	Syariah	11	1,2727	1,10371
	Konvensional	58	1,5345	1,37924
ROA2013	Syariah	11	1,4545	1,96792
	Konvensional	58	1,7414	1,45771
ROA2014	Syariah	11	,5455	1,12815
	Konvensional	58	1,3966	1,36291
ROE2009	Syariah	11	9,0000	16,35848
	Konvensional	58	10,5517	22,35375
ROE2010	Syariah	11	11,1818	18,89877
	Konvensional	58	13,1724	18,31990
ROE2011	Syariah	11	12,9091	18,30002
	Konvensional	58	12,1897	13,93022
ROE2012	Syariah	11	18,6364	23,01422
	Konvensional	58	13,7414	10,91524
ROE2013	Syariah	11	11,3636	12,74577
	Konvensional	58	13,6034	10,76371
ROE2014	Syariah	11	2,1818	7,29134
	Konvensional	58	10,4138	10,73286

Judging from ROA mean, ROA mean of conventional bank is higher than sharia bank. The highest ROA is conventional bank in 2009 as big as 1.76%. For bank itself, the highest mean is in 2013 as big as 1.45%. Judging from the deviation standard, in general,

ROA of conventional bank is more diverse than ROA of sharia bank. Except for 2013, ROA of Sharia Bank is more diverse than ROA of conventional bank. The most diverse ROA data occurs in 2012 with 1.10 standard deviation.

The slight difference happens in ROE data. In general ROE mean of conventional bank is higher than ROE of Sharia bank. However, in 2011 and 2012, ROE mean of sharia bank excelled ROE mean of conventional bank. Opposite to ROA, the highest ROE mean is Sharia Bank with 18.64% in 2012. Nevertheless, the lowest ROE mean is also in Sharia Bank with 2.18% in 2014. From ROE perspective, sharia bank is very dynamic. It is sometimes high and low unique patterns also occur in the diversity of ROE data of sharia bank compared with conventional banks. In general ROE of Sharia bank is more diverse than ROE of conventional bank except 2009 and 2014.

This descriptive analysis gives opportunities for upcoming research. For example, why is there different pattern between ROA vs ROE of sharia and conventional bank? Or Why ROA is more diverse in conventional bank but, ROE is more diverse in Sharia bank?  
*Test result of Sharia and Conventional 2009-2014*

Different test of ROA and ROE mean of sharia and conventional bank uses t test with independent sample. The confident level is 95% by using SPSS 21. Result of t test with SPSS can be read to determine whether there is quality of variety or not, with Levene test. If there is significant use of data "Equal variances assumed". Meanwhile, if significant use data "Equal variances not assumed." Result of Lavene test can be seen in table 4.4

Table 4.4. Result of Lavene Test

Data ROA and ROE	Levene's Test for Equality of Variances		Data T test used
	F	Sig.	
ROA2009	,674	,414	<i>Equal variances assumed</i>
ROA2010	1,025	,315	<i>Equal variances assumed</i>
ROA2011	,511	,477	<i>Equal variances assumed</i>
ROA2012	1,058	,307	<i>Equal variances assumed</i>
ROA2013	,001	,980	<i>Equal variances assumed</i>
ROA2014	2,003	,162	<i>Equal variances assumed</i>
ROE2009	,005	,943	<i>Equal variances assumed</i>
ROE2010	,092	,763	<i>Equal variances assumed</i>
ROE2011	,406	,526	<i>Equal variances assumed</i>
ROE2012	12,526	,001	<i>Equal variances not assumed</i>
ROE2013	,015	,903	<i>Equal variances assumed</i>
ROE2014	5,247	,025	<i>Equal variances not assumed</i>

From the above table, it can be seen that in general variance of sharia bank and conventional bank is assumed equal. There are only 2 different data that is ROE in 2012 and ROE 2014 in which equal variance can't be assumed. Hereafter, t examination is conducted towards ROA of sharia bank which is compared with ROA of conventional bank. Result of t examination can be seen in table 4.5.

Table 4.5 Result of ROA T Test

Year	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
						Lower	Upper
ROA 2009	-1,042	67	,301	-1,03135	,98969	-3,00678	,94409
ROA 2010	-1,232	67	,222	-1,05329	,85508	-2,76004	,65345
ROA 2011	-,563	67	,575	-,36050	,64048	-1,63891	,91790
ROA 2012	-,593	67	,555	-,26176	,44124	-1,14247	,61896
ROA 2013	-,565	67	,574	-,28683	,50796	-1,30073	,72706
ROA 2014	-1,945	67	,056	-,85110	,43755	-1,72446	,02226

From the above table, it can be inferred that there is a significant difference between ROA of Sharia Bank and ROA of conventional bank in  $\alpha = 5\%$  but, significant in  $\alpha = 10\%$ . Even though it is not significantly different, there is a trend that shows ROA of sharia bank is always lower than ROA of conventional bank. It raises a question; does sharia bank have lower profits than conventional bank? Or can't measurement of ROA of conventional bank directly be used in measurement of sharia bank ROA? Or is there any causes?

Further, ROE's different test between sharia bank and conventional bank which can be seen in table 4.6.

Table 4.6. Result of ROE T Test

Year	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
						Lower	Upper
ROE 2009	-	67	,827	-1,55172	7,09192	-15,70726	12,60381
ROE 2010	-	67	,743	-1,99060	6,05352	-14,07347	10,09228
ROE 2011	,149	67	,882	,71944	4,82288	-8,90707	10,34594
ROE2012	,691	10,8	,504	4,89498	7,08552	-10,72329	20,51326
ROE 2013	-	67	,541	-2,23981	3,64448	-9,51422	5,03459
ROE2014	-	19,3	,005*	-8,23197	2,61135	-13,69120	-2,77275

\*) Significant at  $\alpha = 5\%$

### Managerial Implication

In 2014 there is a significant difference between sharia bank ROE compared to conventional banks, where sharia bank ROE is lower than conventional banks. However, although not significant, sharia bank ROE was never higher than conventional bank ROE, namely in 2011 and 2012

Data from the ROA and ROE for 2009-2014, was in the year 2012 was the best year of sharia banks compared with conventional banks. While the worst year was in 2014. These data opens opportunities for the next research, why in 2012 the bank sharia slightly outperformed conventional banks, but in 2014, just slumped.



## Conclusion

The conclusion from empirical examination is in general, based on financial performance, there is no significant difference between sharia and conventional bank. However, this pattern was different in 2014 when sharia bank is significantly different from conventional bank, especially in ROE data. Sharia bank was indeed better than conventional bank.

Although this research limits its scope in its different test only, it is interesting to further examine factors that cause significant difference between ROE of sharia bank and conventional bank in 2014. Is it because there is world crisis that has impact on economic condition and banking in Indonesia? Or are there any other causes? The factors can become moderating variable that is interesting to further examine.

From the information, there is information that in 2012 is the best year for sharia bank compared to conventional bank especially on financial performance achievement (especially ROE). It opens opportunity to find main causes why sharia bank has the best achievement in financial performance in 2012.

It is interesting to foresee whether the trend is going to continue, in 2015, 2016, and forth and the sharia bank performance is keep getting better. Or what about 2009? Or what about 2008 or 1998 when there was world financial crisis? Or is sharia bank showing worse performance than conventional bank? Is ROA and ROE of conventional bank apple to apple? The questions are interesting to answer by future research.

## References

- Ariss, R., T. (2010). Competitive conditions in Islamic and conventional banking: A global perspective. *Review of Financial Economics*. DOI: 10.1016/j.rfe.2010.03.002
- Demirguc-Kunt, A. and Merrouche, O. (2010). *Islamic vs. Conventional Banking: Business Model, Efficiency and Stability*.
- Dewi, G. (2004). *Aspek-Aspek Hukum Dalam Perbankan dan Perasuransian Syariah Di Indonesia*, Kencana, Jakarta.
- Undang-Undang Republik Indonesia. (2008). UU no 21 tahun 2008 Tentang Perbankan Syariah.
- Undang-Undang Republik Indonesia. (1998). UU no 10 tahun 1998 Tentang Perbankan.