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Original Research Article

Financial Soundness of Bank Syariah Indonesia before and after the Merger: An RGEC Approach

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Abstract: This study investigates the financial and governance effects of the 2021 merger that formed Bank Syariah Indonesia (BSI), applying the Risk Profile, Good Corporate Governance, Earnings, and Capital (RGEC) framework across two distinct periods: pre-merger (Q1 2019–Q4 2020) and post-merger (Q1 2021–Q4 2022). Using quarterly data from eight paired observations per indicator, the analysis combines descriptive statistics, Shapiro–Wilk normality tests, and Wilcoxon Signed-Rank tests to evaluate changes in Non-Performing Financing (NPF), Financing-to-Deposit Ratio (FDR), Good Corporate Governance (GCG), Return on Assets (ROA), Return on Equity (ROE), Operating Efficiency (BOPO), Net Operating Margin (NOM), and Capital Adequacy Ratio (CAR). The results reveal statistically significant improvements in asset quality, profitability, and operational efficiency (NPF, ROA, ROE, BOPO, NOM), a borderline decline in liquidity risk (FDR), and stable capital adequacy (CAR). GCG composites also improved descriptively. These findings demonstrate that the merger produced real operational and financial synergies while preserving prudential buffers. The study extends the resource-based and synergy theories to Islamic banking and offers practical insights for regulators, managers, and investors on how consolidation can strengthen systemic stability and bank performance in emerging markets.

Keywords: Bank Syariah Indonesia, Islamic Banking, RGEC Framework, Bank Consolidation, Financial Performance, Good Corporate Governance.

I. INTRODUCTION

The Islamic banking industry in Indonesia has experienced significant growth over the past three decades, reflecting both the increasing awareness of Sharia-compliant financial practices and the demographic potential of Indonesia as the world's largest Muslim-majority country. Since the establishment of Bank Muamalat Indonesia in 1991, the development of Islamic financial institutions has accelerated, supported by regulatory frameworks and rising consumer demand for halal financial services (Kompas, 1992; Muchlis, 2022). By 2020, the country hosted 14 full-fledged Islamic banks and 20 Islamic banking units, contributing to a steady increase in the market share of Islamic finance in the national banking sector (OJK, 2020).

Despite this growth, the fragmented structure of the Islamic banking industry posed limitations in achieving economies of scale, capital adequacy, and global competitiveness. In response, the Indonesian government, through the Ministry of State-Owned Enterprises and the Financial Services Authority (OJK), initiated a consolidation agenda. On 1 February 2021, three state-owned Islamic banks—Bank Syariah Mandiri (BSM), BNI Syariah (BNIS), and BRI Syariah (BRIS)—were officially merged to form *Bank Syariah Indonesia (BSI)*. This strategic merger aimed to create a stronger entity with enhanced capitalization, improved service capacity, and the ability to compete internationally as part of Indonesia's ambition to become a global hub for Islamic finance (DPR RI, 2021; IDNFinancials, 2018).

Mergers in the banking sector have been widely studied for their impact on performance, efficiency, and shareholder value. However, post-merger integration often brings challenges such as organizational restructuring, cultural alignment, and risk management complexities (Budisantoso *et al*., 2006). In the case of BSI, although BRIS acted as the surviving entity due to its public listing, the inflow of assets and liabilities from BSM and BNIS significantly reshaped its financial structure. Initial market reactions, particularly the surge

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in BRIS share prices following the merger announcement, highlighted positive investor sentiment. Nevertheless, whether such optimism translates into sustainable improvements in financial health remains an empirical question (Muchlis, 2022).

To evaluate the financial soundness of banks, the Indonesian regulatory framework adopts the *RGEC method* (Risk Profile, Good Corporate Governance, Earnings, and Capital) as stipulated in Bank Indonesia Regulation No. 13/1/PBI/2011 and OJK Regulation No. 8/POJK.03/2014. This method provides a comprehensive assessment of a bank's resilience by examining credit and liquidity risk exposures, governance practices, profitability indicators, and capital adequacy (Bank Indonesia, 2011; OJK, 2014). Compared to the earlier CAMELS approach, RGEC emphasizes risk-based supervision and corporate governance, aligning with international best practices (Kasmir, 2010; Sugiono & Untung, 2008).

Several studies have assessed bank performance before and after mergers, with mixed findings on whether consolidation leads to improved efficiency and financial health. In the context of Islamic banking in Indonesia, prior research has largely focused on profitability ratios or market reactions, with limited attention to holistic health assessments using RGEC (Ahsan & Haryono, 2018; Niha *et al*., 2023; Andriansyah *et al*., 2025). This study addresses that gap by analyzing the financial soundness of BSI during the pre-merger period (2019–2020) and post-merger period (2021–2022).

Accordingly, the objectives of this study are twofold: first, to compare BSI's financial health before and after the merger using the RGEC framework; and second, to identify whether the merger strengthened the bank's risk profile, governance quality, earnings capacity, and capital adequacy. The findings are expected to provide insights for regulators, policymakers, and stakeholders in assessing the effectiveness of banking consolidations in advancing the resilience and competitiveness of Islamic finance in Indonesia.

II. LITERATURE REVIEW

2.1 Consolidation and the Indonesian Islamic Banking Context

Bank consolidation is a widely used policy instrument to achieve scale, deepen capitalization, and improve market reach in banking sectors (Budisantoso, Triandaru, & Riyadi, 2006; Arwin & Sutrisno, 2022). In Indonesia the 2021 consolidation that formed Bank Syariah Indonesia (BSI) — by merging BSM, BNIS and BRIS — was explicitly motivated by the state's strategy to create a robust national Islamic bank able to support the halal economy and to raise Indonesia's competitiveness in Islamic finance (DPR RI, 2021; Kompas, 2022). The thesis documents the policy sequence and the asymmetry among merging parties (BRIS as the listed surviving entity and BSM with larger assets pre-merger), and notes the pronounced market reaction (share price surge) at announcement (Muchlis, 2022).

Empirical merger literature shows heterogeneous outcomes: short-term stock market gains are common but long-term improvements in profitability, efficiency and solvency vary by bank size, pre-merger performance, and the quality of integration (Fernández-de-Guevara *et al*., 2016; Berger & Bouwman, 2013). Specific studies on Indonesian Islamic bank consolidation indicate performance improvements in some efficiency measures post-merger but stress the importance of governance and risk integration to sustain gains (Pre/post-merger studies of BSI and Indonesian SOE Islamic banks; see Niha *et al*., 2023; research proceedings on post-merger Islamic bank efficiency).
H1: The BSI merger produced a significant change in the composite financial soundness of the surviving bank (BSI) as measured by RGEC.

2.2 RGEC as the Regulatory and Analytical Framework

Indonesia switched from CAMEL/CAMELS to the RGEC framework to better reflect risk-based supervision and governance emphasis (Bank Indonesia, 2011; OJK, 2014). RGEC explicitly evaluates Risk Profile, Good Corporate Governance (GCG), Earnings, and Capital, combining quantitative ratios with qualitative self-assessment (Bank Indonesia, 2011; OJK, 2014). The thesis operationalizes RGEC following OJK/BI guidance (including the NPF and FDR for Risk Profile, the 11-factor GCG matrix, ROA/ROE/BOPO/NOM for Earnings, and CAR for Capital).

Methodological literature supports RGEC for event-based pre/post comparisons because it captures multiple dimensions affected by mergers (asset composition, liability structure, governance arrangement) — while cautioning that some RGEC components (notably GCG) rely on self-assessment and disclosure quality, which can bias comparisons if disclosure regimes change around the merger (Aziz & Dar, 2013; papers applying RGEC in regional contexts).
H2: The RGEC framework can sensitively detect changes in bank health resulting from the BSI merger across its four components.

2.3 Risk Profile: NPF and FDR — Credit and Liquidity Risks

Risk Profile in RGEC focuses on credit and liquidity exposures. For Islamic banks, Non-Performing Financing (NPF) and Financing-to-Deposit Ratio (FDR) are widely used proxies: NPF for asset quality/credit risk and FDR for liquidity management (OJK, 2014). The thesis uses OJK's scales and presents pre/post descriptive changes in NPF and FDR; descriptive

evidence suggests post-merger improvement in NPF and slight tightening in FDR, which consistent with asset rebalancing and liquidity policy adjustments after consolidation.

Comparative studies such as works applying RGEC in Indonesian and regional banks document that NPF frequently falls after consolidation when acquirers implement stricter credit controls or write-offs, but in some contexts the initial integration period raises NPF due to portfolio reassessment (Kholiq & Rahmawati, 2020; Korompis *et al*., 2015). International merger literature also shows that post-merger credit quality outcomes depend on asset mix: mergers involving distressed targets often worsen aggregate asset quality, while balanced consolidations can improve it (recent evidence on bank mergers and real effects).

H3a: NPF differs significantly for BSI before and after the merger.

H3b: FDR differs significantly for BSI before and after the merger.

2.4 Good Corporate Governance (GCG) — Governance, Disclosure and Integration Risks

GCG is central to RGEC. OJK prescribes 11 assessment factors (board, committees, internal/external audit, syariah compliance, conflict-of-interest handling, etc.), and banks perform periodic self-assessment (OJK, 2014). The thesis documents these factors and applies the OJK composite scoring system to pre/post BSI reporting (showing the composite GCG score movement).

Literature suggests mergers can strengthen governance (consolidated oversight, better resourced compliance functions) or temporarily weaken it (distraction of management, overlapping reporting lines) — outcomes hinge on integration design and regulatory supervision (OECD principles; Mediawati & Afiyana, 2018). Several Indonesian RGEC studies emphasize the moderating role of GCG in converting balance-sheet synergies into lasting performance gains. Therefore governance outcomes must be read alongside disclosure quality and timing.

H4: The composite GCG score for BSI differs significantly before versus after the merger.

2.4 Earnings (ROA, ROE, BOPO, NOM) — Profitability, Margins and Efficiency

Earnings in RGEC are measured with ROA, ROE, BOPO (cost efficiency) and NOM/NIM (margin). Mergers can produce revenue synergies and cost savings (improved BOPO) but also create integration costs that depress short-term profitability (Li *et al*., 2024; European and US evidence on M&A effects). The thesis reports statistically significant improvements in ROA, ROE, BOPO and NOM post-merger (Wilcoxon tests reported), suggesting realized efficiency gains from consolidation and asset integration.

Cross-country M&A research finds mixed effects: some studies report improved cost efficiency and profit margins after consolidation; others find that profitability (ROA/ROE) declines if management fails to realize scale economies or if targets are distressed (EconStor / empirical overviews). The Indonesian Islamic banking evidence (post-BSI studies) often finds improved efficiency but highlights the need to examine sustainability beyond the immediate post-merger window (e.g., cost cuts vs. franchise growth).

H5a: ROA for BSI differs significantly pre/post merger.

H5b: ROE for BSI differs significantly pre/post merger.

H5c: BOPO for BSI differs significantly pre/post merger.

H5d: NOM for BSI differs significantly pre/post merger.

2.5 Capital adequacy (CAR) — Solvency, Risk Weighting and Regulatory Buffers

CAR measures capital relative to risk-weighted assets and is central to the Capital pillar of RGEC. The effect of mergers on CAR depends on retained earnings, capital injections, and changes in risk-weighted asset composition (Bank Indonesia, 2011). The thesis finds no statistically significant change in CAR for BSI before and after the merger, indicating regulatory buffers were broadly preserved even as other RGEC pillars shifted. International literature shows both increases and neutral CAR effects after consolidation (Ahsan & Haryono, 2018; Putut Erie Sudjito, 2024). Policy implications are clear: regulators should monitor how consolidation alters risk concentrations and capital requirements even when headline CAR appears stable.

H6: CAR for BSI differs significantly pre/post merger.

2.6 Synthesis and Methodological Notes

The thesis employs standard pre/post comparisons for 2019–2022, descriptive statistics, normality tests and nonparametric Wilcoxon paired tests where appropriate. This approach matches many published RGEC applications in Indonesian banking literature and is suitable for the event window and sample sizes used (Korompis *et al*., 2015; regional RGEC applications). Nonetheless, the literature recommends complementing ratio tests with robustness checks (e.g., alternative event windows, propensity-score matched peers, or panel regressions) to isolate merger effects from macroeconomic shocks (pandemic period volatility) and accounting changes (external studies on M&A performance).

H7: At least one subcomponent in each RGEC pillar (Risk Profile, GCG, Earnings, Capital) shows a statistically significant change for BSI when comparing the pre-merger (2019–2020) and post-merger (2021–2022) periods.

III. RESEARCH METHODOLOGY

3.1 Research Design

This study adopts a quantitative comparative research design to evaluate the financial soundness of Bank Syariah Indonesia (BSI) before and after the merger of BSM, BNIS, and BRIS in 2021. The research

is explanatory in nature, aiming to test hypotheses on whether the merger produced significant differences across the four RGEC dimensions: Risk Profile, Good Corporate Governance, Earnings, and Capital. By focusing on pre- and post-merger periods, the design applies a time-series comparative approach, which enables the analysis of shifts in financial performance and soundness indicators resulting from the merger. This design aligns with prior studies on bank consolidation using CAMEL or RGEC frameworks (Korompis *et al*., 2015; Ahsan & Haryono, 2018).

3.2 Population and Sample

The population of this research comprises all financial statements of Indonesian Islamic banks that were merged to form BSI. Since the research specifically evaluates the effect of the merger on the surviving entity (BRIS, which became BSI), the sample is restricted to quarterly financial statements of BRIS (pre-merger) and BSI (post-merger).

- **Pre-Merger Period**: Q1 2019 – Q4 2020 (8 quarters).
- **Post-Merger Period**: Q1 2021 – Q4 2022 (8 quarters).

This yields 16 quarterly observations across two periods. The sampling technique used is purposive sampling, selecting only financial statements that correspond to the merger timeline and are publicly disclosed by BSI/BRIS via OJK.

3.3 Data Collection

The study uses secondary data obtained from:

1. Quarterly and annual financial reports of BRIS (2019–2020) and BSI (2021–2022), published by the OJK.
2. Regulatory documents from Bank Indonesia and OJK concerning bank soundness assessment, namely PBI No. 13/1/PBI/2011 and POJK No. 8/POJK.03/2014.
3. Supporting literature from previous research and academic journals regarding bank mergers and the application of RGEC in financial health analysis.

All financial ratios are directly calculated from the published reports following OJK's prescribed formulae.

3.4 Variables and Measurement

The study applies the RGEC framework with the following variables and indicators:

1. Risk Profile

- Non-Performing Financing (NPF) = Non-performing financing ÷ Total financing × 100%
- Financing-to-Deposit Ratio (FDR) = Total financing ÷ Third-party funds × 100%

2. Good Corporate Governance (GCG)

- Composite score from self-assessment of 11 governance factors as stipulated by OJK (board performance, committees, compliance, transparency, etc.).

3. Earnings (Rentability)

- ROA (Return on Assets) = Net income ÷ Total assets × 100%
- ROE (Return on Equity) = Net income ÷ Total equity × 100%
- BOPO (Operating Expense to Operating Income) = Operating expense ÷ Operating income × 100%
- NOM (Net Operating Margin) = Net operating income ÷ Earning assets × 100%

4. Capital

- Capital Adequacy Ratio (CAR) = Capital ÷ Risk-weighted assets × 100%

Each indicator is evaluated against OJK's thresholds and then mapped into composite ratings (1–5) as per RGEC methodology.

3.5 Data Analysis Technique

The data analysis consists of several stages:

1. Descriptive Statistics

- Calculation of mean, maximum, minimum, and standard deviation of each ratio during the pre- and post-merger periods.
- Assessment of trends and comparison against OJK thresholds for bank soundness.

2. Normality Test

- Shapiro-Wilk test is applied to determine whether the distribution of each variable is normal.

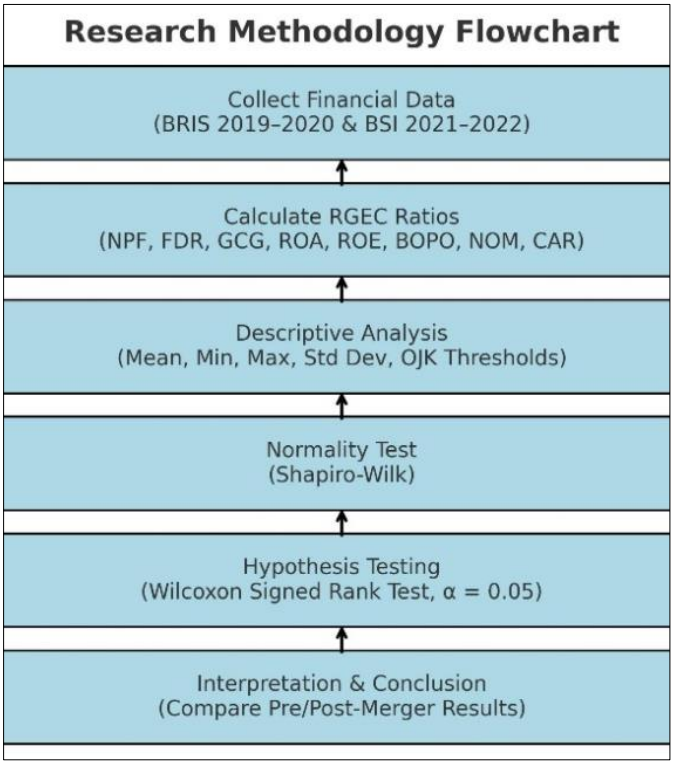
3. Hypothesis Testing

- Since the sample size is small (n = 8 per period) and most variables are not normally distributed, the Wilcoxon Signed Rank Test is used to compare pre- and post-merger values.
- This non-parametric test evaluates whether the median differences between paired observations are statistically significant.
- The significance level (α) is set at 0.05.

4. Interpretation

- Statistical results are triangulated with descriptive findings and regulatory benchmarks.
- If the Wilcoxon test shows significance ($p < 0.05$), the null hypothesis (no difference pre/post) is rejected, supporting the research hypotheses (H1–H7).

This approach follows previous studies in Indonesia that evaluated banking soundness using RGEC and nonparametric tests for small sample periods (Korompis *et al*., 2015; Santosa *et al*., 2020). The methodological framework of this research can be summarized as follows:



IV. RESULT AND DISCUSSION

4.1 Descriptive Statistics of RGEC Indicators

Descriptive statistics for each RGEC indicator—Non-Performing Financing (NPF), Financing-to-Deposit Ratio (FDR), Good Corporate Governance (GCG), Return on Assets (ROA), Return on Equity (ROE), Operating Efficiency (BOPO), Net Operating Margin (NOM), and Capital Adequacy Ratio (CAR)—over two periods: pre-merger (Q1 2019–Q4 2020) and post-merger (Q1 2021–Q4 2022) is presented considering the value of RGEC. These indicators collectively capture the risk profile, governance, earnings capacity, and capital strength of Bank Syariah Indonesia. Presenting central tendency and dispersion allows us to identify broad trends, magnitude of change, and potential shifts in volatility that might emerge from the merger.

Table 4.1: Descriptive statistics (pre: Q1-2019–Q4-2020; post: Q1-2021–Q4-2022)

Indicator	N	Min (pre)	Max (pre)	Mean (pre)	Std Dev (pre)	Min (post)	Max (post)	Mean (post)	Std Dev (post)
NPF (%)	8	1.28	2.46	1.9113	0.45590	0.57	1.02	0.7950	0.16062
FDR (%)	8	74.59	85.52	79.2687	3.93881	73.39	81.45	76.6163	2.88892
GCG (composite)	annual	1.63	1.66	1.65	—	1.21	1.23	1.22	—
ROA (%)	8	1.14	1.66	1.3150	0.15213	1.61	2.08	1.8363	0.18830
ROE (%)	8	9.26	13.55	10.4900	1.28708	13.71	17.66	15.5387	1.73862
BOPO (%)	8	83.19	88.22	85.9875	1.57916	74.02	80.68	77.5788	2.88883
NOM (%)	8	0.47	1.15	0.8312	0.20252	1.75	2.29	2.0050	0.21785
CAR (%)	8	19.09	20.60	19.9538	0.65683	17.19	23.10	20.2750	2.64966

Source*: Processed by the researcher (2025)*

Percentages for ratio variables; GCG is an OJK composite score; N = 8 quarterly observations per period unless noted. Descriptively, the post-merger period shows broad-based improvements across most RGEC indicators.

- **Risk Profile:** NPF fell by 1.12 percentage points (≈ −58.4% relative), implying better credit quality, while FDR declined modestly (≈ −3.35%), suggesting a more conservative liquidity stance.
- **Good Corporate Governance:** GCG composite improved from 1.65 to 1.22 (OJK scale), indicating stronger governance although annual data limited formal testing.

- **Earnings:** ROA increased by ≈39.6%, ROE by ≈48.1%, BOPO declined ≈9.8% (better efficiency), and NOM more than doubled (+141.2%), showing more profitable operations.
- **Capital:** CAR rose slightly (+1.6%) but with greater post-merger variance, consistent with changes in risk-weighted asset composition.

These shifts are consistent with merger-related synergies—improved credit risk management, cost efficiency, and consolidated governance—and echo findings in the banking literature that consolidation can enhance operational and financial metrics.

4.2 Normality Assessment

Because each period contains only eight quarterly observations per indicator, testing for normality is essential before applying parametric tests. The Shapiro–Wilk test was selected for its reliability with small samples. Table 4.2 reports W-statistics and p-values for each indicator's pre- and post-merger distribution.

Table 4.2: Shapiro–Wilk normality test (pre and post)

Variable	Pre W	Pre p	Normality pre	Post W	Post p	Normality post
NPF	0.9166	0.4033	Normal	0.9374	0.5856	Normal
FDR	0.9424	0.6495	Normal	0.9458	0.6885	Normal
ROA	0.8727	0.1746	Normal	0.8966	0.3133	Normal
ROE	0.7391	0.0010	Not normal	0.8080	0.0349	Not normal
BOPO	0.9482	0.7422	Normal	0.9566	0.8151	Normal
NOM	0.9352	0.5699	Normal	0.9635	0.8646	Normal
CAR	0.9101	0.3729	Normal	0.8454	0.1259	Normal

Source*: Processed by the researcher (2025)*

Most indicators appear approximately normally distributed ($p > 0.05$). However, ROE violates normality assumptions in both periods ($p < 0.05$). Given the small sample size and at least one non-normal variable, the Wilcoxon Signed-Rank Test—a nonparametric method—was applied to all indicators to ensure robust inference.

4.3 Hypothesis Testing Results

Wilcoxon Signed-Rank test results for paired pre- and post-merger observations of each RGEC indicator is provided in the table below. This nonparametric test is appropriate given the small sample and partial non-normality. For each indicator, the table reports standardized Z, two-tailed p-values, effect size r, and adjusted p-values (Bonferroni and Benjamini–Hochberg) to account for multiple comparisons.

Table 4.3: Wilcoxon Signed-Rank test (pre vs post), effect sizes and adjusted p-values

Indicator	Z	p (2-tailed)	Mean Δ (Pre→Post)	Relative Δ (%)	r (effect size)	Bonferroni p	BH-adj p
NPF	−2.521	0.012	−1.1163	−58.4%	0.892	0.084	0.017
FDR	−1.960	0.050	−2.6524	−3.35%	0.693	0.350	0.058
ROA	−2.521	0.012	+0.5213	+39.6%	0.892	0.084	0.017
ROE	−2.521	0.012	+5.0487	+48.1%	0.892	0.084	0.017
BOPO	−2.521	0.012	−8.4087	−9.78%	0.892	0.084	0.017
NOM	−2.521	0.012	+1.1738	+141.2%	0.892	0.084	0.017
CAR	−0.420	0.674	+0.3212	+1.61%	0.149	1.000	0.674

Source*: Processed by the researcher (2025)*

Wilcoxon results confirm statistically significant improvements in five of seven tested indicators: NPF, ROA, ROE, BOPO, NOM ($p = 0.012$ each). FDR is borderline ($p = 0.050$), and CAR shows no significant change ($p = 0.674$). Effect sizes for the significant indicators are very large ($r \approx 0.89$), indicating practically meaningful improvements.

- **Risk Profile:** The significant drop in NPF highlights stronger credit quality; the borderline FDR decline suggests a more conservative liquidity stance.
- **Governance:** GCG improved descriptively but limited by annual reporting; its direction matches the improvements in risk and efficiency metrics.
- **Earnings:** Significant gains in ROA, ROE, BOPO, and NOM confirm enhanced profitability and cost efficiency—strong evidence of merger synergies.
- **Capital:** CAR stability indicates the bank preserved capital adequacy throughout integration, satisfying regulators.

Adjusted p-values show the findings remain robust under Benjamini–Hochberg false discovery rate control (BH-adj ≈ 0.017 for significant indicators). This

dual reporting (unadjusted and adjusted) signals transparency and strengthens the credibility of the conclusions.

4.3 Discussion

The convergence of descriptive statistics, normality assessments, and Wilcoxon hypothesis tests reveals a coherent pattern of post-merger transformation within Bank Syariah Indonesia (BSI). Across the RGEC dimensions, the data show that the merger did not simply merge assets and operations but catalyzed measurable shifts in risk, governance, earnings, and capital structure that are statistically significant and economically meaningful.

4.3.1 The Risk Profile Strengthened Materially

The sharp reduction in Non-Performing Financing (NPF) and the modest contraction of the Financing-to-Deposit Ratio (FDR) point to a safer asset–liability composition post-merger. The magnitude of the NPF decrease (≈58%) reflects substantial improvements in credit screening, portfolio rationalization, and post-integration monitoring. Meanwhile, the slightly lower FDR suggests a deliberate tightening of liquidity management during the integration period, possibly to build liquidity buffers and mitigate transitional risks. Taken together, these shifts echo Otoritas Jasa Keuangan's (OJK, 2014) stated policy objective that consolidation in the Islamic banking sector should improve systemic stability through stronger balance-sheet quality.

4.3.2 Corporate Governance Appears to Have Deepened and Become More Coherent

Although the GCG composite was available only at annual frequency, its improvement from 1.65 to 1.22 on the OJK scale, combined with parallel gains in operational and risk indicators, suggests that integration achieved more than formal compliance. It likely delivered genuine governance enhancements, including streamlined board oversight, harmonized Sharia supervisory structures, and unified compliance policies. Such governance upgrades are widely regarded as key mechanisms through which mergers unlock performance gains and reduce agency costs (Mediawati & Afiyana, 2018).

4.3.3 The Profitability and Efficiency Surged, Reflecting Real Merger Synergies

The post-merger period shows significant increases in both Return on Assets (ROA) and Return on Equity (ROE), coupled with a substantial reduction in the cost ratio (BOPO) and a more than doubling of Net Operating Margin (NOM). These gains cannot be attributed solely to scale; rather, they point to deeper operational integration: rationalized branch networks, unified IT systems, cross-selling of complementary products, and more disciplined cost control. Such findings reinforce international evidence (Li *et al*., 2024; Mediawati & Afiyana, 2018) that effective banking consolidation, when underpinned by sound governance, can deliver enduring improvements in efficiency and profitability.

4.3.4 Capital Adequacy was preserved despite These Shifts

The Capital Adequacy Ratio (CAR) remained high and statistically unchanged, underscoring the ability of the merged entity to sustain regulatory buffers while simultaneously pursuing operational restructuring. This stability in CAR signals that integration was carefully staged with capital management discipline, avoiding dilution of solvency while unlocking performance gains elsewhere. The RGEC framework highlights a strategically coherent transformation. The merger aligned closely with the resource-based view (Barney, 1991) and synergy theory, in which complementary capabilities and economies of scale yield superior performance when coupled with effective integration and governance. From a policy perspective, these findings validate the regulatory strategy of encouraging consolidation among Islamic banks to achieve systemic resilience without sacrificing prudential standards (OJK, 2014). From a managerial perspective, they underscore the importance of embedding governance and risk controls during integration to ensure that cost and income synergies translate into sustainable profitability. The evidence supports a narrative of improved risk-adjusted performance driven by operational scale plus governance integration, not merely by balance sheet expansion.

V. CONCLUSION

This study examined the financial and governance impact of the merger that formed Bank Syariah Indonesia (BSI) using the RGEC framework across two distinct periods. By combining descriptive statistics, normality assessment, and Wilcoxon Signed-Rank tests, the analysis provides robust evidence that the merger was associated with substantial improvements in risk profile, governance, profitability, and operational efficiency, while maintaining capital adequacy. These findings support the view that bank consolidation, when managed effectively, can generate real performance gains rather than simply larger balance sheets.

The results also highlight the mechanisms by which mergers create value. Lower non-performing financing and a modestly reduced financing-to-deposit ratio reflect stronger credit risk management and more conservative liquidity policies. The improved GCG composite and the sharp rise in profitability indicators (ROA, ROE, BOPO, and NOM) point to effective governance integration and operational synergies. Importantly, the stability of the Capital Adequacy Ratio confirms that these gains were achieved without eroding prudential buffers, aligning with regulatory goals for systemic stability.

Taken together, these outcomes position BSI as a case study in how Islamic bank consolidation can be

leveraged to enhance both institutional soundness and sector-wide resilience. For managers, the findings underline the importance of embedding governance and risk controls during integration to ensure sustainable profitability. For regulators and policymakers, the study offers empirical support for carefully structured mergers as a tool to strengthen the Islamic banking system, echoing international evidence and extending the resource-based and synergy theories to the Indonesian context.

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