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The Impact of Islamic Bank Mergers on The Performance of The Islamic Banking Industry Using the Structure Conduct Performance (SCP) Method

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Abstract:

This study seeks to examine the impact of the merger of three Islamic banks (BSM, BNIS, and BRIS) on the Islamic banking market in Indonesia by applying the Structure-Conduct-Performance (SCP) model. The SCP framework, widely used in economic analysis, evaluates industries based on three key dimensions: Structure, Conduct, and Performance. This research employs a quantitative approach, utilizing secondary data sourced from the annual reports and financial statements of Indonesian Islamic banks between 2017 and 2022, alongside the Islamic Financial Development Reports published by the Financial Services Authority (OJK) during the same period. The findings reveal that the merger has no discernible effect on the market structure within the Islamic banking sector in Indonesia. Additionally, the merger does not influence market conduct or consumer behavior within the industry. However, the performance of the merged banks shows a significant positive impact on the overall performance of the Islamic banking industry in Indonesia.

Keywords: *Structure Conduct and Performance Method, Islamic Banking, Merger*

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1. Introduction

Global economic growth has intensified competition among businesses, compelling companies to adopt various strategic approaches to ensure long-term sustainability. These strategies are designed to enhance a company's resilience, improve operational efficiency, and boost profitability. By implementing appropriate strategies, companies aim to make informed decisions that facilitate the development of long-term, optimal business plans. One such strategy is mergers or acquisitions, in which two or more companies consolidate to enhance operational performance, expand market share, and increase capitalization. This approach is often pursued when a company encounters operational difficulties or seeks to broaden its business scope. The merger process not only affects the survival of the involved companies but also reshapes the competitive dynamics within the industry.

Firdaus and Dara (2020) identify mergers and acquisitions as a strategic approach that companies can adopt to maintain or expand their operations. The implementation of a

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merger strategy aims to direct the company toward improved conditions, with the expectation of a positive market response. By releasing information regarding the merger process, the company intends to signal its merger plans to the market, potentially affecting its valuation and altering competitive dynamics within the industry. Furthermore, the market's reaction to the merger or acquisition event can significantly influence changes in the company's stock price.

Mergers have become a significant aspect of Indonesia's economic dynamics, particularly within the banking sector. According to Budianto (2004), this phenomenon can be traced back to the 1998 monetary crisis, which adversely affected economies worldwide, including Indonesia's banking industry. The merger process in Indonesia's banking sector can be analyzed across two distinct periods: prior to and following the monetary crisis. Before the crisis, Indonesia witnessed rapid growth in the number of banks, increasing from 111 to 240. This expansion coincided with the implementation of the Financial Sector Deregulation Package in October 1988 (Pakto 1988), which facilitated the establishment of banking institutions by investors.

Following the monetary crisis, Indonesia's banking sector underwent a significant transformation characterized by numerous mergers among financial institutions. Out of 101 banks that participated in the merger and acquisition processes, only 30 banks survived, while the banking authority, Bank Indonesia, closed the remaining 71 banks. In addition to the results of these mergers and acquisitions, the monetary crisis also facilitated the establishment of several Sharia-based financial institutions, which emerged from the conversion of conventional banks that encountered economic challenges due to the crisis's impact.

Following the previous discussion, the emergence of several Islamic banks after the monetary crisis responded to the community's needs, particularly those of Muslims seeking an interest-free banking alternative. Islamic banking should not simply replicate the conventional banking model; instead, it must offer a banking system that adheres to Islamic principles within the context of Indonesia.

The growth of the Islamic banking industry in Indonesia is shaped by various internal and external factors that are critical to its development. Internal factors, such as human resources, funding, and effective corporate governance, play a significant role in this process. On the other hand, external factors, including economic growth, the advancement of Islamic institutional infrastructure both domestically and internationally, as well as heightened public awareness of interest-free Islamic banking, also contribute to its development. Research conducted by Suciati (2021) indicates that the market share of Islamic banking in Indonesia increased by 0.16% from 2018 to 2021, reaching a total of 6.52%. However, Islamic banking's market share remains relatively low, constituting only 2.6% of the national banking market.

Maspupah et al. (2022) indicate that the relatively low contribution of Indonesia's Islamic banking industry can be attributed to its market share, which lags behind that of Malaysia, where the Islamic banking sector achieved a market share of 23% during the same period. Despite both Indonesia and Malaysia having majority Muslim

populations, Indonesia's Islamic banking sector remains significantly less developed. This disparity is largely due to the limited public interest in utilizing Sharia-compliant financial services for economic transactions. In 2021, a merger resulted in the establishment of Bank Syariah Indonesia, formed through the consolidation of three Islamic financial institutions: Bank Syariah Mandiri (BSM), Bank Nasional Indonesia Syariah (BNIS), and Bank Rakyat Indonesia Syariah (BRIS).

This study seeks to examine the impact of the merger of three Islamic banks on the Islamic banking industry in Indonesia. The research employs the Structure-Conduct-Performance (SCP) model, a framework in economic analysis used to examine industry dynamics. The SCP model explores the relationships between industry structure (Structure), industry behavior (Conduct), and industry outcomes (Performance).

Industry structure, as a core component is generally stable within the business environment but is also shaped by the behavior and performance of market participants. Conduct refers to the interactions and behaviors of buyers and sellers within the market, encompassing how they engage with one another and operate within the broader market environment. Performance represents the outcomes resulting from these interactions, influenced by the industry's structure and conduct, and is often measured through metrics such as market share or profitability levels of companies. These three elements—structure, conduct, and performance—are interconnected, where the structure of an industry affects market behavior, which subsequently impacts company performance.

2. Theoretical Background

Merger

The concept of a merger, as described by several experts, can be understood as follows. Moin (2007) defines a merger as the process in which two or more companies combine into a single entity, with one company continuing to operate as the legal entity while the others cease operations or dissolve. In this process, the dissolved companies transfer all their assets and liabilities to the surviving company, resulting in an increase in the merging company's assets. Untung (2019) adds that a merger involves the unification of two companies, where one entity merges into another or forms an entirely new company entity.

The execution of a merger can have both positive and negative effects on the involved companies. According to Johan (2018), some positive outcomes include generating immediate cash flow, expanding product portfolios and access to established markets, enhancing management systems, and acquiring a workforce with higher qualifications and capacities. Additionally, mergers provide easier access to financing, as creditors tend to trust well-established and reputable companies, and they enable an expanded customer base without the need to build it from the ground up.

Conversely, mergers can also lead to negative impacts on the involved companies. These may include challenges in accurately assessing the value of the target company, uncertainty regarding the merger's potential to enhance overall company value and deliver benefits to shareholders, cultural discrepancies between the merging entities, and difficulties in executing the integration process effectively.

Banking Mergers in Indonesia

Budianto (2004) identifies two distinct periods in the development of mergers within Indonesia's banking sector: the period prior to the 1998 monetary crisis and the period following the crisis. Before the crisis, the number of banking institutions in Indonesia grew substantially, rising from 111 to 240 banks. This growth was driven by the implementation of the Financial Sector Deregulation Package in October 1988, which facilitated the entry of new investors and the establishment of additional banking institutions.

Budianto (2004) explains that the merger process in Indonesia's banking sector was initiated during the monetary crisis, when several banks collapsed due to poor performance, prompting Bank Indonesia to liquidate them. Following the crisis, of the 101 banks involved in the merger and acquisition program, only 30 banks remained operational, while Bank Indonesia liquidated the remaining 71 banks. An example of a bank that continues to operate today as a result of this merger process is Bank Mandiri, which was formed by the merger of four state-owned banks—Bank DBN, Bank Ekspor Impor, Bank Bumi Daya, and Bank Bapindo—each of which faced financial difficulties during the crisis.

Hariyani et al. (2011) state that mergers in Indonesia's Islamic banking sector remain relatively rare. This is primarily because most Islamic banks initially operated as Sharia Business Units within conventional banks, which later transitioned into Sharia Commercial Banks with strong performance. Additionally, many Islamic banks in Indonesia were created by converting financially troubled conventional banks into Islamic banks. A notable example of a merger in the Islamic banking industry occurred in 2021 with the establishment of Bank Syariah Indonesia (BSI). BSI emerged from the merger of three major Islamic banks: Bank Syariah Mandiri (BSM), Bank Nasional Indonesia Syariah (BNIS), and Bank Rakyat Indonesia Syariah (BRIS).

Banking

A bank is a financial institution that primarily focuses on accepting demand deposits, savings, and term deposits from the public. Abdullah and Wahjusaputri (2018) define a bank as an entity whose primary function is to gather funds and serve as an intermediary that facilitates the supply and demand for credit to third parties at specified times.

Kasmir (2016) defines a bank as a financial entity primarily engaged in the collection of funds from the public and their subsequent redistribution, along with the provision of various banking services. In addition, Purnomo (2024) emphasizes that banks are essential financial institutions that significantly impact a country's economy. As the

main intermediaries in the flow of funds, banks are vital in managing financial resources and facilitating economic activities.

Islamic Banking

Rasyid and Ismail (2020) define Islamic banks as financial institutions that conduct their operations in accordance with Sharia principles. These banks, which prioritize Sharia compliance, operate under a distinct philosophy that differentiates them from other businesses. Their governance is based on teachings from the Qur'an, Sunnah, and scholarly interpretations (ijtihad). Additionally, Bonadilla and Syamlan (2019) describe Islamic banking as a system that follows Islamic law, forms a critical component of the Islamic economy, and is founded on principles derived from the Qur'an and Hadith.

Assyadiah and Syamlan (2022) describe Islamic banks as intermediary institutions within the financial sector. In their operations, these banks collect funds from the community and redistribute them through various financing methods. The funds received from the public are maintained in different forms, including current accounts, savings accounts, and deposits, which are held under either the wadiah or mudharabah principles. Additionally, Islamic banks distribute these funds through financing that employs four primary patterns: sale and purchase principles, profit-sharing, ujrah, and complementary contracts.

Structure Conduct Performance (SCP) Method

The Structure-Conduct-Performance (SCP) paradigm is a conceptual framework in economics designed to analyze the relationships between three critical components: market structure, industry conduct, and industry performance. The SCP method, commonly used in industrial economic analysis, explains how the structural characteristics of an industry shape the behavior of its participants, which subsequently influences the overall performance outcomes of the industry.

The SCP model was originally developed by Mason in 1949 and later refined by Bain in 1956. In this framework, Mason and Bain highlight the strong interconnection between market structure, business practices, stakeholder behavior, and industry performance. The SCP model focuses on three primary components of industrial organization: Structure, Conduct, and Performance. Joe S. Bain’s introduction of the SCP model in 1956 has made it foundational for explaining organizational theory within industries, serving as an analytical tool to assess key market elements, where market structure and behavior influence overall market performance. According to Suciati (2021), market structure is identified as a strategic and relatively stable element in the business environment, which both influences and is influenced by behavior and performance in the market..

Fitriyanti (2015) defines the concept of conduct as the actions undertaken by a company regarding pricing, production scale, product portfolio, advertising strategies, and interactions with competitors. This conduct encompasses how company policies influence the behavior of customers, competitors, and suppliers, along with various other factors that affect market transactions. Suciati (2021) further explains that

market performance refers to the degree to which activities within an industry meet predetermined objectives. Performance is deemed satisfactory when these goals are successfully achieved.

Previous Studies

Sahile et al. (2015) analyzed data from 44 commercial banks operating in Kenya between 2000 and 2009. The study utilized dependent variables such as Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM). The independent variables included market concentration ratios, which were assessed using the Concentration Ratio (CR) and the Herfindahl-Hirschman Index (HHI). The findings of the study suggest that the market efficiency hypothesis significantly influences the performance of the banking sector in Kenya. However, regarding the calculations of market concentration ratios, the SCP hypothesis, as represented by the CR and HHI, exhibited an insignificant negative effect on the banking sector's performance in Kenya.

Rekarti and Nurhayati (2016) analyzed data from the Indonesian Banking Statistics (SPI) covering the period from 2011 to July 2014. The study examined variables such as market concentration ratios, calculated using the Concentration Ratio (CR) and the Herfindahl-Hirschman Index (HHI), as well as Return on Assets (ROA), market share, and total asset growth. The results, derived from applying the Structure-Conduct-Performance (SCP) method to assess the effects of banking merger policies, indicated that potential mergers would lead to higher CR4 and HHI values compared to scenarios without mergers. This finding suggests that mergers may increase market concentration levels.

Ab-Rahim and Sheen (2016) analyzed data from the Malaysian banking sector for the period from 2000 to 2011. This study focused on Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM) as dependent variables, while independent variables included the Concentration Ratio (CR), market share, technical efficiency, and scale efficiency. The research also accounted for control variables such as bank size, bank credit, and operational costs. The findings suggest that the Malaysian banking sector must enhance performance efficiency, as this directly influences bank profitability. Furthermore, the study advocates for broader banking reforms. However, it is noteworthy that the research did not provide sufficient evidence to support the hypothesis that the Structure-Conduct-Performance (SCP) theory impacts banking reform.

Fitriyanti (2015) analyzed data from Indonesia's Islamic banking sector between 2011 and 2015 and drew three key conclusions. First, the concentration ratio for the top four banks (CR4) exceeded 70%, indicating that the Islamic banking industry in Indonesia during 2011-2014 operated within an oligopolistic structure. Second, a regression analysis using panel data models and simultaneous equations found that the market concentration variable, representing market structure, had a negative but insignificant correlation with the Capital Labour Ratio (CLR). Conversely, the market share variable, another proxy for market structure, exhibited a positive yet insignificant correlation with CLR. Despite this, market structure had a significant

influence on the market behavior of Islamic banks during the study period. Third, the regression analysis revealed that the CLR, serving as a proxy for market behavior, had a statistically significant and positive correlation with Return on Assets (ROA), a measure of Islamic banking performance. Additionally, murabaha financing growth, used as a control variable, showed a positive but statistically insignificant correlation with ROA as an indicator of banking performance.

3. Methodology

Type of Research and Data Sources

This study employs a quantitative research approach, utilizing numerical data as the basis for analysis. According to Sujarweni (2015), quantitative research is a method that generates results through the use of statistical procedures or other quantification techniques to reach its conclusions.

This study utilizes a sampling technique that selects samples from population data within Indonesia's Islamic banking sector between 2017 and 2022. The researcher limits the sample to Bank Umum Syariah (BUS) and Unit Bisnis Syariah (UUS), excluding Bank Perkreditan Rakyat Syariah (BPRS) from the analysis of the Islamic banking industry.

Research Variables

Research variables refer to the attributes, characteristics, or values associated with individuals, objects, organizations, or activities that display specific variations. These variables are identified by the researcher for examination and are subsequently analyzed to draw conclusions (Sugiyono, 2021).

According to Kusumawati & Rusyani (2023), independent variables are those that influence or cause changes in dependent variables. These variables play a critical role in research, as they allow researchers to assess their impact on the dependent variable. In this study, six independent variables were identified: Concentration Ratio (CR), Market Share, Capital Adequacy Ratio (CAR), Operating Costs to Operating Income (BOPO), Non-Performing Financing (NPF), and Financing to Deposit Ratio (FDR).

Kusumawati & Rusyani (2023) explain that the dependent variable is one that is affected by or results from the independent variable. In this study, the dependent variable is Return on Assets (ROA), a ratio used to assess a company's ability to generate profit relative to its total assets, factoring in the associated costs.

Panel Data Regression Estimation Model

This research employs an estimation model previously utilized in the study by Sahile et al. (2015), which is based on the model developed by Smirlock (1985) and further refined by Molyneux et al. (1994) and Molyneux and Forbes (1995). These findings suggest that to address the research question effectively, it is essential to consider market share and calculate the degree of market concentration. The study incorporates several general models for this purpose:

$$\Pi = \alpha + \beta_1 \text{ CONC} + \beta_2 \text{ MS} + \alpha' X$$

In this model, π represents company performance, which is measured by Return on Assets (ROA). CONC refers to the concentration indicator, MS denotes the company's market share, and α represents a vector of additional variables specific to both the company and the market that are known to influence bank profitability. The model's specification is outlined as follows:

$$\Pi = \alpha + \beta_1 \text{ CR} + \beta_2 \text{ MS} + \beta_3 \text{ CAR} + \beta_4 \text{ FDR} + \beta_5 \text{ BOPO} + \beta_6 \text{ NPF}$$

Description:
Π = ROA (Return Of Assets)
β_1 = CR (Concentration Ratio)
β_2 = MS (Market Share)
β_3 = CAR (Capital Adequacy Ratio)
β_4 = FDR (Financing to Deposit Ratio
β_5= BOPO (*Biaya Operasional Pendapatan Operasional*)
β_6= NPF (Non-Performing Financial)

4. Empirical Findings/Result

Descriptive Statistical Analysis

The purpose of this analysis is to examine the data by determining the mean, minimum value, maximum value, and standard deviation. The following section provides a summary of the descriptive statistics for the variables analyzed in the study:

Table 1. Descriptive Statistical Analysis

	X3	X4	X5	X6	Y
Mean	22.71778	87.27444	104.7219	2.843333	-0.418056
Median	22.09000	85.52500	97.70500	2.880000	0.205000
Maximum	45.30000	196.7300	217.4000	7.850000	1.790000
Minimum	11.51000	38.33000	76.99000	0.010000	-10.77000
Std. Dev.	8.198029	23.40267	30.99436	1.975922	2.605446
Skewness	1.028654	2.494586	2.676871	0.206917	-2.642112
Kurtosis	3.650022	15.16270	9.186662	2.553051	9.399330
Jarque-Bera	6.982572	259.2347	100.4060	0.556534	103.3117
Probability	0.030462	0.000000	0.000000	0.757095	0.000000
Sum	817.8400	3141.880	3769.990	102.3600	-15.05000
Sum Sq. Dev.	2352.269	19168.98	33622.76	136.6494	237.5922
Observations	36	36	36	36	36

Source: Data Analysis Results (Eviews 9)

The table provides descriptive statistical information regarding the key research variables, particularly those related to market behavior. These variables include CAR (X3), FDR (X4), BOPO (X5), and NPF (X6). Each variable comprises 36 data points, with the following average values: CAR (X3) at 22.71, FDR (X4) at 87.27, BOPO (X5) at 104.72, and NPF (X6) at 2.84.

Hypothesis Testing

A. Statistical t Test

The statistical t-test was employed to assess the influence of independent variables on the dependent variable, as outlined by Juanda (2009). In this analysis, conclusions are made based on the significance level (α). If the significance value (α) is less than 0.05, H0 is rejected, and H1 is accepted. Conversely, if the significance value (α) exceeds 0.05, H0 is accepted, and H1 is rejected.

Table 2. Statistical Test t

Dependent Variable: Y
Method: Panel Least Squares
Date: 02/20/24 Time: 22:49
Sample: 2017 2022
Periods included: 6
Cross-sections included: 6
Total panel (balanced) observations: 36

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.075661	0.007291	10.37657	0.0000
X3	0.015187	0.016703	0.909211	0.3703
X4	0.001538	0.004823	0.318853	0.7520
X5	-0.080803	0.003636	-22.22552	0.0000
X6	-0.000526	0.070467	-0.007463	0.9941

Source: Data Analysis Results (Eviews 9)

The t-test results for the Capital Adequacy Ratio (CAR) variable (X3) indicated a t-value of 0.909211, which is lower than the t-table value of 1.971435. Additionally, the significance value was 0.3703, exceeding the threshold of 0.05. Consequently, H1 is rejected, and H0 is accepted, indicating that the CAR variable does not have an impact on the Return on Assets (ROA) of Islamic banks in Indonesia. Similarly, the t-test results for the Financing to Deposit Ratio (FDR) variable (X4) revealed a t-value of 0.318853, which is also less than 1.971435, with a significance value of 0.7520, again greater than 0.05. Therefore, H1 is rejected, and H0 is accepted, suggesting that the FDR variable does not influence the ROA of Islamic banks in Indonesia.

The test results for the Operating Cost to Operating Income (BOPO) variable (X5) indicated a t-value of -22.22552, which is lower than the t-table value of 1.971435. The significance value was 0.0000, which is below the 0.05 threshold. Consequently, H1 is rejected, and H0 is accepted, indicating that the BOPO variable does not influence the Return on Assets (ROA) of Islamic banks in Indonesia. In contrast, the test results for the Non-Performing Financing (NPF) variable (X6) revealed a t-value of -0.007463, which is also less than the t-table value of 1.971435, with a significance value of 0.9941, exceeding 0.05. Therefore, H1 is rejected, and H0 is accepted, signifying that the NPF variable does not affect the ROA of Islamic banks in Indonesia.

B. F-Statistical Test

The F-statistical test is performed to assess the collective impact of all independent variables on the dependent variable, in accordance with the methodology established by Juanda (2009). In this analysis, conclusions are derived based on the significance level (α). If the significance value (α) is below 0.05, then H0 is rejected, and H1 is

accepted. Conversely, if the significance value (α) exceeds 0.05, H0 is accepted, and H1 is rejected.

Table 3. F Statistical Test

R-squared	0.946343	Mean dependent var	-0.004181
Adjusted R-squared	0.939420	S.D. dependent var	0.026054
S.E. of regression	0.006413	Akaike info criterion	-7.132801
Sum squared resid	0.001275	Schwarz criterion	-6.912868
Log likelihood	133.3904	Hannan-Quinn criter.	-7.056039
F-statistic	136.6873	Durbin-Watson stat	1.644412
Prob(F-statistic)	0.000000		

Source: Data Analysis Results (Eviews 9)

The analysis of the F-statistical test revealed a calculated F-value of 136.6873, surpassing the F-table value of 2.41548. Additionally, the significance value was found to be 0.000000, which is below 0.05. Consequently, H0 is rejected, and H1 is accepted. This finding indicates that the variables CAR, FDR, BOPO, and NPF significantly impact the ROA of Islamic banks in Indonesia.

C. Coefficient of Determination Analysis

The coefficient of determination (R^2) measures the degree to which independent variables influence the dependent variable when there is a one-unit change in the independent variables. According to Juanda (2009), a higher R^2 value, approaching 1, indicates that the regression model is more effective at predicting the value of the dependent variable.

Table 4. Coefficient of Determination Analysis

R-squared	0.946343	Mean dependent var	-0.004181
Adjusted R-squared	0.939420	S.D. dependent var	0.026054
S.E. of regression	0.006413	Akaike info criterion	-7.132801
Sum squared resid	0.001275	Schwarz criterion	-6.912868
Log likelihood	133.3904	Hannan-Quinn criter.	-7.056039
F-statistic	136.6873	Durbin-Watson stat	1.644412
Prob(F-statistic)	0.000000		

Source: Data Analysis Results (Eviews 9)

The coefficient of determination (R^2) yields an adjusted R-Squared value of 0.939420, or 93.7420%. This suggests that the independent variables CAR, FDR, BOPO, and NPF account for 93.7420% of the variation in the ROA of Islamic banks in Indonesia.

5. Discussion

The Effect of Islamic Bank Mergers on the Market Structure of Islamic Banking in Indonesia

This study evaluates the market concentration within the Islamic banking industry in Indonesia by utilizing the CR4 variable to determine the concentration ratio of the four largest Islamic banks and the Herfindahl-Hirschman Index (HHI). The findings

from the calculations of both the concentration ratio (CR4) and the Herfindahl-Hirschman Index (HHI) for the four Islamic banks in Indonesia from 2017 to 2022 are summarized as follows:

Table 5. Concentration Ratio

Concentration Ratio	2017	2018	2019	2020	2021	2022
CR4	54,06%	53,06%	52,30%	53,76%	63,79%	63,00%
HHI	1.045	1.036	1.046	1.069	2.049	2.097

Source: Data analysis results

The data presented in the table indicate that, during this period, the four Islamic banks commanding a substantial share of the third-party funds market in Indonesia's Islamic banking industry possess a concentration ratio exceeding 50%. Consequently, the concentration ratio calculations correspond with the criteria outlined by Sahile et al. (2015), suggesting that the market structure of the Islamic banking industry in Indonesia from 2017 to 2022 can be categorized as either an oligopoly or a monopoly.

The Effect of Islamic Bank Mergers on the Market Behavior of Islamic Banking in Indonesia

The partial results of the t-test indicate that the CAR variable (X3) has a t-value of 0.909211, which is lower than the t-table value of 1.971435, and a significance value of 0.3703, exceeding the threshold of 0.05. This suggests that the CAR variable does not impact the ROA of Islamic banks in Indonesia, implying that changes in CAR do not affect market behavior. Similarly, the t-test results for the FDR variable (X4) reveal a t-value of 0.318853, which is also less than 1.971435, with a significance value of 0.7520, further indicating that the FDR variable does not influence the ROA of Islamic banks in Indonesia.

The test results for the BOPO variable (X5) reveal a t-value of -22.22552, which is lower than the t-table value of 1.971435, and a significance value of 0.0000, which is less than 0.05. This indicates that the BOPO variable does not influence the ROA of Islamic banks in Indonesia. Likewise, the results for the NPF variable (X6) show a t-value of -0.007463, which is also below the t-table value of 1.971435, with a significance value of 0.9941, exceeding the 0.05 threshold. Thus, this indicates that the NPF variable does not affect the ROA of Islamic banks in Indonesia.

The Effect of Islamic Bank Mergers on the Market Performance of Islamic Banking in Indonesia

The analysis of the market share of third-party funds reveals a minimum share of 0.06%, a maximum share of 4%, and an average share of 1.80%. These findings are illustrated in the following table:

Table 6. Market Share

Market Share	2017	2018	2019	2020	2021	2022	Rata-Rata
MS	3.13	3.23	3.23	3.13	3.13	3.13	3.16

Source: Data analysis results

The table illustrates that in 2017, the market share was 3.13%, which increased to 3.23% in 2018 and remained constant in 2019. By 2020, the market share returned to 3.13%, a value that persisted through 2021 and 2022. Thus, the average annual market

share was 3.16%. The study's findings reveal that the market share of third-party funds (MSDPK) has a positive and significant effect on return on assets (ROA) at a 4% significance level. This suggests that as the market share of third-party funds in Islamic banks grows, the ROA ratio will consistently rise.

6. Conclusions

The market structure of the Islamic banking sector in Indonesia during the 2017-2022 period was analyzed by assessing the market concentration ratio of four Islamic banks, focusing on third-party fund collection exceeding 50%. The analysis revealed that, both before the merger of the three major Islamic banks (2017-2020) and after the merger (2021-2022), the market structure remained either oligopolistic or monopolistic. Consequently, the merger of these Islamic banks did not significantly alter the market structure of the Islamic banking sector in Indonesia.

The analysis indicates that fluctuations in the Capital Adequacy Ratio (CAR) dont significantly influence market behavior in the Islamic banking sector in Indonesia. Similarly, variables such as the Operating Expenses to Operating Income (BOPO) ratio, Non-Performing Financing (NPF), and Financing to Deposit Ratio (FDR) show no significant relationship with the Return on Assets (ROA). Therefore, the merger of Islamic banks did not have a notable impact on market or consumer behavior within the Indonesian Islamic banking industry.

The study found that the market share of third-party funds positively and significantly affects the Return on Assets (ROA), with a significance level of 4%. This suggests that an increase in the market share percentage of third-party funds can consistently enhance the ROA of Islamic banks. Therefore, it can be concluded that the performance improvements resulting from the merger process have had a significant impact on the overall performance of the Islamic banking industry in Indonesia.

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