

SPIN-OFF ISLAMIC BANKING WINDOW IN INDONESIA

Dedy Mainata

UIN Sultan Aji Muhammad Idris Samarinda

dmainata@gmail.com

Parno

UIN Sultan Aji Muhammad Idris Samarinda

agt122005@gmail.com

Angrum Pratiwi

UIN Sultan Aji Muhammad Idris Samarinda

angrumpratiwi89@gmail.com

Irfan

UIN Sultan Aji Muhammad Idris Samarinda

irfanjiran19@gmail.com

Abstract

This article provides a discussion of some of the issues associated with Spin Off and areas that have not been critically discussed in the literature. Regulations in Indonesia require all Islamic Banking Windows to separate from their parent banks if the value of their assets reaches 50 percent of the total assets of their conventional banks or at least 15 years after the issuance of the regulation. This study is to find out how the Islamic Banking Windows spin-off is carried out, the reasons, readiness, impact, as well as criticism, suggestions and solutions to the spin-off policy. This qualitative research uses secondary data such as books, journals, articles by describing the spin-off problems comprehensively. We found 2 spin-off methods: establishing a new Islamic Commercial Bank (BUS) or transferring Islamic Banking Windows (UUS) rights and obligations to an existing BUS. A spin-off is important to do so that there is no mixing between conventional and Islamic so that there will be the development of purer Islamic products and increase customer trust and so that management is more independent in accordance with their respective businesses and can develop and compete. We also found a positive impact from the spin-off, namely increasing revenue, and accelerating the development and market share of BUS in Indonesia. The negative impact of spin-offs reduces the level of efficiency, the restructuring has not been properly controlled, the availability of networks and infrastructure is not adequate, and the stress of employees due to different leadership styles, organizational culture, or company orientation. Lastly, we find that UUS is not ready to do a spin-off before 2023 with the main problem, the capital. We suggest that regulators postpone their mandatory spin-off policy by 2023 and suggest other options such as mergers or conversions.

Keywords : Spin-off, Islamic Banking Windows, Islamic Commercial Banking

Abstrak

Artikel ini memberikan diskusi tentang beberapa isu yang terkait dengan Spin Off dan area yang belum didiskusikan secara kritis dalam literatur. Regulasi di Indonesia mewajibkan seluruh Jendela Perbankan Syariah untuk memisahkan diri dari bank induknya jika nilai asetnya mencapai 50 persen dari total aset bank konvensional atau paling lambat 15 tahun setelah regulasi tersebut diterbitkan. Kajian ini untuk mengetahui bagaimana spin-off Windows Banking Syariah dilakukan, alasan, kesiapan, dampak, serta kritik, saran dan solusi terhadap kebijakan spin-off tersebut. Penelitian kualitatif ini menggunakan data sekunder berupa buku, jurnal, artikel dengan memaparkan permasalahan spin-off secara komprehensif. Kami menemukan 2 metode spin-off: mendirikan Bank Umum Syariah (BUS) baru atau mengalihkan hak dan kewajiban Jendela Perbankan Syariah (UUS) ke BUS yang sudah ada. Spin-off penting dilakukan agar

tidak terjadi pencampuran antara konvensional dan syariah sehingga terjadi pengembangan produk syariah yang lebih murni dan meningkatkan kepercayaan pelanggan serta agar manajemen lebih mandiri sesuai dengan bisnis masing-masing serta dapat berkembang dan berkembang. bersaing. Kami juga menemukan dampak positif dari spin-off tersebut, yaitu peningkatan pendapatan, serta percepatan pengembangan dan pangsa pasar BUS di Indonesia. Dampak negatif dari spin-off menurunkan tingkat efisiensi, restrukturisasi yang belum terkontrol dengan baik, ketersediaan jaringan dan infrastruktur yang belum memadai, dan stress karyawan akibat perbedaan gaya kepemimpinan, budaya organisasi, atau orientasi perusahaan. Terakhir, kami menemukan bahwa UUS belum siap untuk melakukan spin-off sebelum tahun 2023 dengan masalah utama yaitu permodalan. Kami menyarankan agar regulator menunda kebijakan spin-off wajib mereka pada tahun 2023 dan menyarankan opsi lain seperti merger atau konversi.

Kata Kunci : Spin-off, Jendela Perbankan Syariah, Perbankan Komersial Syariah

INTODUCTION

Islamic banking in Indonesia began with the birth of Bank Muamalat Indonesia (BMI) as a form of the desire of the Indonesian Ulema Council who wanted to establish the first Islamic bank in Indonesia. To realize this, in 1990 a workshop on bank and interest was held by the Indonesian Ulema Council (MUI) located in West Java Province, precisely in Cisarua, Bogor. After going through a fairly long process and a more in-depth discussion, finally on November 1, this dream was realized with the establishment of PT. Bank Muamalat Indonesia.¹ In line with the development of regulations, the development of Islamic banking is quite encouraging. Since the establishment of Bank Muamalat Indonesia until December 2021, there are 13 Islamic Commercial Banks (BUS), 20 Islamic Banking Window (UUS) and 163 Islamic Rural Banks (BPRS).²

The total assets of BUS and UUS in Indonesia reached Rp. 676 trillion with each asset of around Rp. 441 trillion and Rp. 234 trillion. Of the total assets, the number of BUS offices is 2,035 and the number of UUS offices is 441 so that the total office network spread throughout Indonesia is 2,479.³

Becoming a concern in Indonesia, especially in regulations (Undang-undang) no. 21 of 2008 concerning Islamic Banking is in clause 68 paragraph 1 which requires all Islamic Banking Window (UUS) to separate from their parent bank with the condition that the asset value reaches 50 percent of the total assets of the parent bank or at least 15 years after the issuance of the regulation.⁴ This means that UUS will become BUS before 2023. So all UUS must prepare for spin-off.

This study examines the readiness of the Islamic Banking Window in Indonesia to carry out a spin-off. The purpose of this study is to explore the spin-off of the Islamic Banking Window from conventional parent banks in Indonesia. We also contributes to the discussion of spinoffs

¹ Otoritas Jasa Keuangan, "Sejarah Perbankan Syariah," 2021, <https://www.ojk.go.id/id/kanal/syariah/tentang-syariah/pages/sejarah-perbankan-syariah.aspx>.

² Otoritas Jasa Keuangan, "Statistik Perbankan Syariah (SPS) Desember 2021," 2021.

³ Otoritas Jasa Keuangan.

⁴ Republic of Indonesia, "UU Nomor 21 Tahun 2008 Tentang Perbankan Syariah" (2008).

and explores their implications for spinoff policy and implementation – an issue that has not been addressed in the literature. At the conceptual level, we discuss the impact, criticism, suggestions and solutions on the policy and implementation of the spin-off.

A. Literature Review

The challenges that UUS will face include the challenges of creating and enforcing applicable and undoubtful labels, Human Resources (HR), reputation risks, and the challenges of implementing spin-off. While the opportunities in the spin-off include IT infrastructure and internet banking, network cooperation, fund structure, as well as becoming a new BUS and having its own capital although it is much smaller than the central.⁵ Nesneri recommend PT. BPD Riau as soon as possible will do a spin-off no later than 2023 or even convert to Bank Riau Kepri Syariah. Islamic Banking Window of PT. BPD Riau and Riau Islands has carried out a spin-off process which is supported by approval for a spin-off. However, there are still some obstacles including financial aspects as well as aspects of technology and information that interfere with the licensing and legality process, so that to carry out the spin-off requires a lot of preparation including capital participation and the provision of technology and information to support the spin-off process. Based on the mandate of the General Meeting of Shareholders (GMS), PT. BPD Riau and Riau Islands decided to convert their business activities into Islamic Commercial Banks.⁶

UUS will be easier to compete, flexible in making decisions, and promote Islamic banking which requires sharia principles in its implementation without interference from the provisions of the parent bank. Even so, the necessity of separation requires in-depth preparation, including the readiness of human resources, relatively low infrastructure, more requirements and more difficult synergies with the parent bank. The steps that must be taken for a bank to convert are relatively simpler when compared to the provisions that must be met in carrying out a spin-off or separation from UUS into BUS.⁷ Rifin found factors that must be considered in carrying out a spin-off, including IT system management, internal orientation, infrastructure factors, ease of spin-off process, strategic planning factors and stakeholder interests. Factors of convenience, infrastructure and strategic planning are more considered in implementing the separation method

⁵ Muhammad Septaredho and et. al, "Analisis Peluang Dan Tantangan Pelaksanaan Kewajiban Spin-Off Unit Usaha Syariah Menjadi Bank Umum Syariah," *Jurnal Manajemen Bisnis (JMB)* 34, no. 1 (2021): 42–51.

⁶ Yessi Nesneri and et. al, "Strategi Unit Usaha Syariah Bank Umum Konvensional Dalam Menghadapi Spin-Off 2023 (Studi Pada PT. BPD Riau Dan Kepulauan Riau)," *Jurnal Tabarru'* 3, no. 2 (2020): 335–46.

⁷ Sulasi Rongiyati, "Pengembangan Perbankan Syariah Melalui Pelaksanaan Kewajiban Pemisahan Unit Usaha Syariah", *Jurnal Negara Hukum*, *Jurnal Negara Hukum* 6, no. 1 (2015): 65–78.

from a new business entity. Meanwhile, stakeholder interests, internal orientation and IT system factors are more considered in implementing the separation method from the parent compan.⁸

The spin-off opportunity is an easy choice and being a BUS is the best choice because BUS relatively dominates the Islamic Banking market share. In 2023, all UUS will become BUS, meaning that the spin-off process should be carried out as well as possible and as early as possible. The absence of guidelines from OJK regarding planning guidelines and guidelines in implementing the separation is certainly the first challenge. The existing provisions are only a foothold on how BUS and UUS operate and there is no standard on how to operate during the spin-off transition from UUS to BUS. The parent bank and UUS also have other challenges, including internet banking and IT infrastructure, network cooperation funding capacity and capital.⁹ That there are two ways of spin-off UUS into BUS. First, establishing a new BUS. Second, transfer the rights and obligations to the existing BUS. Bank compliance in implementing sharia principles tends to increase as a result of this spin-off, because the UUS has transformed into a BUS as an independent legal entity and the management of the BUS will be separated from its parent bank, both in terms of financial management and business operations.¹⁰

All Islamic Banking Windows are not yet ready to carry out a spin-off if viewed through two elements: the amount of paid-in capital and the ratio of asset value. These two elements are the benchmarks required by the regulator. From its development and growth rate, even before 2023, PT Bank Internasional Indonesia (now known as PT Bank Maybank Indonesia, Tbk) is already very possible to do spin-off. Another result from Rasyid that the condition of readiness of Islamic Banking Window is quite varied when viewed from two alternative benchmarks: aspects of operational performance and financial performance. PT Bank Tabungan Negara and PT BPD Kalimantan Timur showed satisfactory financial and operational situations in almost all components, the two UUS being the most likely to carry out a spin-off before 2023.¹¹ The mechanism for establishing a BUS, namely the establishment of a new BUS, spin-off, conversion, merger, acquisition and consolidation. There are 8 BUS in Indonesia formed through the acquisition mechanism and then converted into BUS. Especially for BRI Syariah and BTPN Syariah which previously had a Islamic Banking Window, the existing UUS was then merged into the already formed BUS. Meanwhile, 2 BUS in Indonesia were formed through the Spin-Off

⁸ Amzul Rifin, Imam T Saptono, and H R Dewati, "Pemilihan Metode Spin Off Unit Bisnis Syariah Dengan Pendekatan Analisa Faktor (Studi Kasus PT. BNI Syariah Dan PT. Bank Syariah BRI)," *Al-Muzara'ah* 3, no. 2 (2015): 122–35, <https://doi.org/10.29244/jam.3.2.122-135>.

⁹ Itang, "Peluang Dan Tantangan Spin-off Unit Usaha Syariah Menjadi Bank Umum Syariah," *Jurnal Al-Qalam* 33, no. 1 (2016): 24–45.

¹⁰ Khotibul Umam, "Peningkatan Ketaatan Syariah Melalui Pemisahan (Spin-off) Unit Usaha Syariah Bank Umum Konvensional," *Jurnal Mimbar Hukum* 22, no. 3 (2010): 607–24.

¹¹ Fathi Rasyid and et. al, "Analisis Kesiapan Unit Usaha Syariah Dalam Menghadapi Kebijakan Spin-Off Di Indonesia," *Jurnal Ilmiah Mahasiswa FEB* 5, no. 1 (2016): 1–21.

mechanism, namely the separation of UUS from BUK, and 1 BUS was formed with the establishment from the beginning namely Bank Muamalat Indonesia which was the first BUS in Indonesia, and 2 BUS were formed through the conversion mechanism of BUK to BUS, namely Maybank Syariah. Indonesia and Bank Aceh.¹²

B. Islamic Commercial Banks (BUS) and Islamic Banking Window (UUS)

Islamic Commercial Banks (BUS) are Islamic banks which in their business activities provide services in payment traffic.¹³ Islamic Commercial Banks (BUS) are also banks whose implementation provides services in sharia payment traffic. The institutional form of Islamic Commercial Banks is the same as conventional commercial banks, namely in the form of a Limited Company (PT).¹⁴

Islamic Banking Window (UUS) is a business unit from its parent office which in this case is a Conventional Commercial Bank (BUK) that implements sharia principles in its business activities, or a business unit in a branch office of a Conventional Bank domiciled abroad as the parent office of the sharia sub-branches and/or sharia units.¹⁵

C. Spin-Off Islamic Banking Window

Separation is the transfer of all or part of the assets and liabilities of a company to one or more companies as a result of legal actions carried out by a company.¹⁶ The company split can be divided into two: Split-off and Spin-off. A pure separation is a separation carried out by a company which results in the transfer of all assets and liabilities to one or more companies then the company is dissolved or legally ends. A pure separation is a separation carried out by a company which results in the transfer of some assets and liabilities to one or more companies then the company continues to exist and operates as it should, because the parent company and the company receiving the separation can carry out their respective operational and operational activities.¹⁷

In the banking industry, separation is the creation of two or more business entities due to the splitting or splitting of one bank by following established policies.¹⁸ The spin-off produced in the transfer of assets and liabilities from UUS to BUS, UUS's business activities changed to BUS

¹² Ramdanyah Fitrah, "Menelisik Mekanisme Pembentukan Bank Umum Syariah Di Indonesia," *Jurnal As-Salam* 1, no. 3 (2017): 106–18.

¹³ Abdul Ghofur, *Hukum Perbankan Syariah (UU No.21 Tahun 2008)* (Bandung: Refika Aditama, 2013).

¹⁴ Republic of Indonesia, UU Nomor 21 Tahun 2008 tentang Perbankan Syariah.

¹⁵ Ghofur, *Hukum Perbankan Syariah (UU No.21 Tahun 2008)*.

¹⁶ Republic of Indonesia, "UU Nomor 40 Tahun 2007 Tentang Perseroan Terbatas" (2007).

¹⁷ Iswi Hariyani and et. al, *Merger, Konsolidasi, Akuisisi, & Pemisahan Perusahaan* (Jakarta: Visimedia, 2011).

¹⁸ Republic of Indonesia, UU Nomor 21 Tahun 2008 tentang Perbankan Syariah.

business activities, UUS employee status changed to BUS employees and UUS customer status changed to BUS customers.¹⁹ The legal entity form of BUS and UUS is a limited company, so the laws and regulations in the field of Limited Company apply. To carry out a spin-off, it must be decided at the General Meeting of Shareholders (GMS). This means that the shareholders who are entitled to approve the implementation of the separation through the GMS.²⁰ The implementation of this separation is carried out by the board of directors. The Board of Directors must consult with creditors. If the creditor objected to the separation plan, it must be submitted to the GMS to obtain a settlement.²¹

RESEARCH METHOD

Qualitative research emphasizes more on the analysis of deductive and inductive inference processes as well as on the analysis of the dynamics of the relationship between observed phenomena using scientific logic so that the emphasis is not on testing hypotheses but on efforts to answer research questions through formal and argumentative ways of thinking. Literature study is carried out by collecting data from various literatures, both in libraries and in other places. The literature used is not limited to books but can also be in the form of documentation materials, magazines, newspapers and others. From the literature, various theories, laws, propositions, principles, opinions, ideas and others can be found that can be used to analyze and solve the problems investigated.²²

This research is to add and broaden insight both related to the problem or not, to spark an image as a form of idea, so that it is expressed in an up to date and interesting problem, as well as to get further information and what has developed in science.

A. Data

Sources of data in this study from secondary data. Through secondary data, researchers will get a clearer picture of the problems faced. Research writing is also facilitated by the information available in secondary data. Information relevant to the research conducted can be obtained through secondary data.²³

Library is the main material in secondary data research. Searching secondary data requires a way so that secondary data research can be carried out more quickly and efficiently. It can be

¹⁹ Sumyati and et. al, "Office Channeling Pasca Spin-Off Bank BNI Syariah Dari Unit Usaha Syariah Menjadi Bank Umum Syariah," *Diponegoro Law Journal* 5, no. 3 (2016).

²⁰ Jamin Ginting, *Hukum Perseroan Terbatas* (Bandung: PT. Citra Aditya Bakti, 2007).

²¹ Khotibul Umam, *Corporate Action Pembentukan Bank Syariah (Akuisisi, Konversi Dan Spin-Off)* (Yogyakarta: Gadjah Mada University Pres, 2015).

²² I Made Wiratha, *Metodologi Penelitian Sosial Ekonomi* (Yogyakarta: CV. Andi Offset, 2006).

²³ Mudrajat Kuncoro, *Metode Riset Untuk Bisnis & Ekonomi* (Jakarta: Erlangga, 2009).

started by searching the bibliographic index, namely the index of the article title, author, name and type of publication or other index data according to the classification of design and research methods. If a bibliographic index is not available, researchers can use reference lists in books or articles published in journals, magazines or newspapers.²⁴

B. Data Analysis Techniques

The data were analyzed descriptively qualitatively, namely by describing or describing and explaining the existing problems thoroughly and clearly, and from these explanations conclusions were collected in the form of common questions and then specific conclusions were drawn then in the end the presentation could be understood easily and clearly.²⁵

Data analysis is done by classifying data, breaking it down into several units, synthesizing it, organizing it into a particular model, choosing what is prioritized for study, and drawing conclusions that can be notified to others. The interactive model of data analysis consists of three main components: data reduction, data serve, and drawing conclusions. Qualitative data analysis must have these three components, because the relationships and relationships between the three need to be continuously compared in order to determine the direction of the conclusion as the final result of a study.²⁶

RESULTS AND DISCUSSION

A. Implementation of the Spin-Off of Islamic Banking Window from Conventional Parent Banks

UUS spin-off is intended to become a new company in the form of a Islamic Banking Window (BUS) and not a Conventional Commercial Bank (BUK).²⁷ This means that the status of UUS which was previously a business unit has increased to become a commercial bank. In this case, what is meant by the commercial bank is in the form of a BUS.

There are 2 ways to separate the UUS from its Parent Bank in Bank Indonesia Regulations (PBI), namely by building a new Islamic Banking Window (BUS) or by transferring the rights and obligations of the UUS to an existing BUS.²⁸ The first way is done by forming a business entity which is also a new legal entity under the name of a Islamic Commercial Bank

²⁴ Nur Indriantoro and et. al, *Metodologi Penelitian Bisnis-Untuk Akuntansi Dan Manajemen* (Yogyakarta: CV. Andi Offset, 2018).

²⁵ Bambang Sunggono, *Metodologi Penelitian* (Jakarta: Raja Grafindo Persada, 2007).

²⁶ Hardani and et. al, *Metode Penelitian Kualitatif & Kuantitatif* (Yogyakarta: CV. Pustaka Ilmu Group Yogyakarta, 2020).

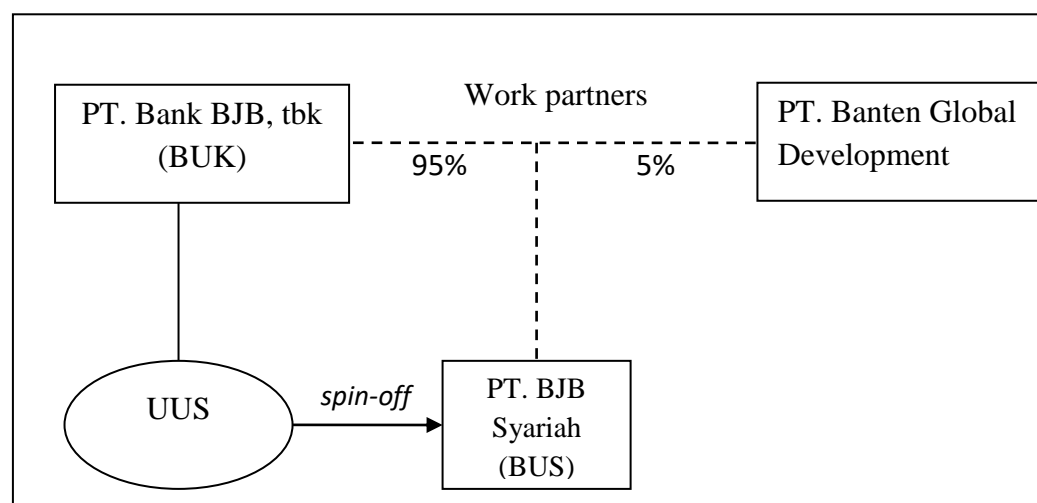
²⁷ Rizky Bismar, "Kajian Yuridis Tentang Pemisahan (Spin-Off) Unit Usaha Syariah Menjadi Bank Umum Syariah," *Lex Administratum* 5, no. 1 (2017).

²⁸ Bank Indonesia, "Peraturan Bank Indonesia (PBI) No.11/10/PBI/2009 Tentang Unit Usaha Syariah" (2009).

which legally changes the name, address, articles of association or bylaws of the BUS resulting from the spin-off of the UUS which refers to the legal provisions for the establishment of the BUS.²⁹ Even though as a new company and carrying out new economic activities, usually the spin-off BUS has a name that is not much different from the previous parent bank.

Until now in Indonesia, only two UUS have done spin-offs by establishing a new BUS, namely PT. Bank Jabar Banten Syariah and PT. BNI Syariah Bank. Hilman found a scheme for the spin-off process of PT. Bank Jabar Banten Syariah as follows.³⁰

Figure 1
Spin-Off Scheme



Source: Hilman, 2018 (processed)

Figure 1 above describes PT. Banten Global Development and PT. Bank Jabar Banten as a partner jointly established a new BUS with 5% and 95% share ownership, respectively. Which then PT. Bank Jabar Banten transferred all assets and liabilities of its UUS to PT. Bank Jabar Banten Syariah. This method goes through two stages, namely establishing a new BUS first and then transferring the rights and obligations of the UUS to the newly established BUS.

The second way is by transferring the rights and obligations of the UUS to the existing BUS. In the Financial Services Authority Regulation (POJK) this method may be carried out by BUK which owns UUS to BUS which does not own or has an ownership relationship with it.³¹ BUK may transfer the rights and obligations of its UUS to BUS which has an ownership

²⁹ Bismar, "Kajian Yuridis Tentang Pemisahan (Spin-Off) Unit Usaha Syariah Menjadi Bank Umum Syariah."

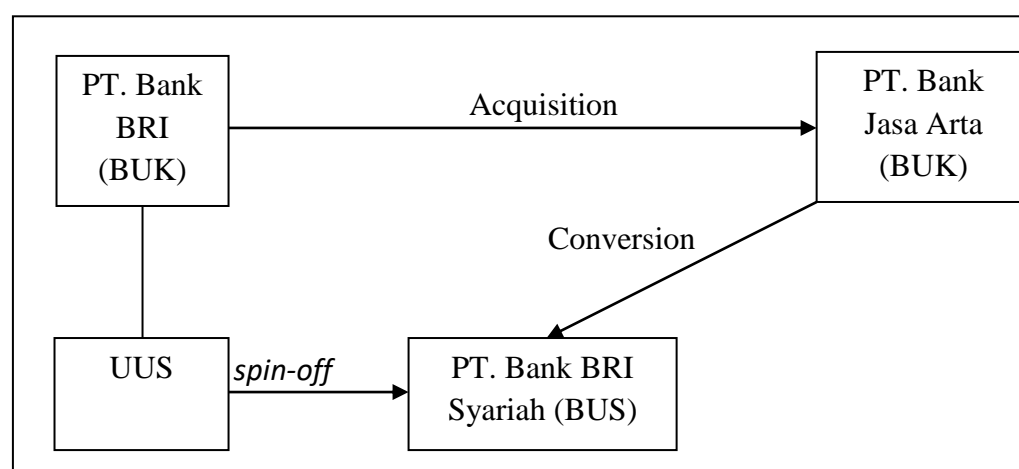
³⁰ Iim Hilman, "Sharia Business Unit Spin-off: Strategic Development Model of Sharia Banking in Indonesia," *Internasional Jurnal of Islamic Banking and Finance Research* 2, no. 2 (2018).

³¹ Otoritas Jasa Keuangan, "Peraturan Otoritas Jasa Keuangan (POJK) NO.59/POJK.03/2020 Tentang Persyaratan Dan Tata Cara Pemisahan Unit Usaha Syariah" (2020).

relationship with it, such as in a group business or in a conglomerate. However, if the BUK transfers the rights and obligations of its UUS to a BUS that has no ownership relationship with it, this means that its UUS is sold to the BUS.

In practice, this method is carried out by BUK by first acquiring a relatively small conventional bank and then converting the bank to sharia, then the rights and obligations of UUS are transferred to the bank that has been converted into a BUS.³² PT. Bank Bukopin Syariah and PT. BRI Syariah Bank is a BUS resulting from the separation in this way. The schematic of the spin-off process in the above manner in Figure 2.³³

Figure 2
Spin-Off Scheme



Source: Hilman, 2018 (processed)

In Figure 2 PT. Bank BRI fully acquired PT. Bank Jasa Arta (BUK), then the bank resulting from the acquisition was converted into a BUS named PT. BRI Syariah Bank. The next stage PT. Bank BRI transferred all assets and liabilities of its UUS to PT. BRI Syariah Bank. This separation method is different and goes through more stages than the first way. In this way it takes a combination of acquisition and conversion to become a BUS. So basically the BUS that received the separation from the acquisition and conversion was previously an existing commercial bank and not a newly established bank.

The position of a Conventional Commercial Bank (BUK) that has a Islamic Banking Window (UUS) does not expire or is dissolved by law after a spin-off.³⁴ This happens because the separation carried out only results in a portion of the assets and liabilities of the parent bank so

³² Itang, "Peluang Dan Tantangan Spin-off Unit Usaha Syariah Menjadi Bank Umum Syariah."

³³ Hilman, "Sharia Business Unit Spin-off: Strategic Development Model of Sharia Banking in Indonesia."

³⁴ Bismar, "Kajian Yuridis Tentang Pemisahan (Spin-Off) Unit Usaha Syariah Menjadi Bank Umum Syariah."

that the parent bank and the bank resulting from the separation can carry out their respective business activities.

Al Arif, et al proved that the separation carried out by establishing a new BUS or by transferring to an existing BUS did not affect the performance of Islamic Commercial Banks as a result of the separation as indicated by the operating profit obtained. The type of separation has no effect on the value of the separated BUS assets.³⁵ The separation method does not have a significant effect on the Return On Asset (ROA) of the separated BUS.³⁶ The two methods of separation have no effect on the value of assets, profits or ROA of the spin-off BUS so that the BUK that will do the separation can decide the first method or the second method to be taken.

From each spin-off method found differences regarding the factors that are more considered in its implementation. Factors of convenience, infrastructure and strategic planning are more considered in implementing spin-offs with new business entities. Meanwhile, stakeholder interests, internal orientation and IT system factors are more considered in implementing spin-offs with existing bodies.³⁷

To carry out a spin-off, BUK can choose the method of separation depending on the conditions and internal needs of each bank and to carry out a spin-off, it still requires comprehensive consideration and preparation both in the selection of methods and future business strategies. This will be good for the BUS after doing the spin-off.

B. The Importance of Implementing the Spin-Off of Islamic Banking Windows

The Sharia Banking Law requires all UUS to separate from their parent bank to become a BUS.³⁸ This means that spin-offs are not only important but also a must for every UUS. If you follow the Sharia Banking Law in Indonesia (in 2008), then in 2023 all UUS will turn into BUS. In other words, after one year there will be no more UUS operating.

The spin-off obligation was initiated by the issuance of Banking Law no. 10 of 1998 where banks can implement two principles at once, namely banks with conventional and sharia systems (dual banking system) with the opening of Islamic Banking Windows. The advantages of establishing a UUS are lower costs and relatively faster procedures than when establishing a BUS. Moreover, UUS can also use various facilities and infrastructure from its parent bank, ranging

³⁵ M. Nur Rianto Al Arif and et. al, "Tipe Pemisahan Dan Pengaruhnya Terhadap Laba Pada Bank Umum Syariah Hasil Pemisahan," *Jurnal Keuangan Dan Perbankan* 20, no. 3 (2016).

³⁶ M. Nur Rianto Al Arif and et. al, "Metode Spin-Off Dan Tingkat Profitabilitas: Studi Pada Bank Umum Syariah Hasil Spin-Off," *Iqtishadia* 10, no. 1 (2017).

³⁷ Rifin, Saptono, and Dewati, "Pemilihan Metode Spin Off Unit Bisnis Syariah Dengan Pendekatan Analisa Faktor (Studi Kasus PT. BNI Syariah Dan PT. Bank Syariah BRI)."

³⁸ Republic of Indonesia, UU Nomor 21 Tahun 2008 tentang Perbankan Syariah.

from networks, technology systems and human resources.³⁹ Bank Indonesia responded to this by making a long-term plan, so that the dualism of the banking system within one entity no longer exists considering the need for independence from each system and ready to compete.⁴⁰ The importance of UUS becoming a BUS based on government regulations is to unite the Islamic banking system into a single unit.⁴¹ With the spin-off, the conventional and sharia systems are separate and able to operate independently. In addition, with the mandatory spin-off, the existence of UUS is basically temporary and not permanent.

The reason for the management between conventional and sharia must be separated because UUS is basically a part or division of BUK. Thus, operations are still in one legal entity so that there is a mix of conventional and sharia in their management. As a result, many parties doubted it from the start. With the separation, it will create a new legal entity which is managed separately from its parent, technically, financially, administratively and organizationally. Therefore, the BUS formed from the UUS spin-off will result in the management and development of purer sharia products.⁴² The spin-off policy is really needed considering that there are still doubts from customers about the purity of UUS sharia principles in conventional banks due to the increasing public awareness of Islamic banks. The sharia system and the conventional system must be separated because the principles and characteristics of the two are different. With the spin-off, BUK management in achieving its main goals will be more focused and BUS more independent and able to carry out their sharia activities.⁴³ Separation needs to be done so that management is more independent according to each business. This means, BUK runs according to its business and UUS can develop into BUS after the spin-off. This is because the dual banking system practice basically affects the public's perception of the validity of sharia principles in UUS even though it has actually been regulated in such a way by the provisions of the law. By doing a spin-off to become a BUS, it will be able to provide trust and a sense of security because it refers to sharia principles.⁴⁴ The separation is important to increase the customer's trust and sense of security regarding the purity of sharia principles carried out by UUS because it has been separated

³⁹ Ari Andika and et. al, "Analisis Peluang Dan Tantangan Pelaksanaan Kewajiban Spin-Off Unit Usaha Syariah Menjadi Bank Umum Syariah (Studi Kasus PT. BNI Syariah)," *Jurnal Al Amwal (Hukum Ekonomi Syariah)* 2, no. 1 (2019).

⁴⁰ Amalia Nasuha, "Dampak Kebijakan Spin-Off Terhadap Kinerja Bank Syariah," *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah* 4, no. 2 (2012).

⁴¹ Nikmah Mentari and et. al, "Sustainable Development Goals (SDGs) Principle Towards Sharia Business Unit Pre-Spin Off 2023," *UNIFIKASI: Jurnal Ilmu Hukum* 6, no. 2 (2019).

⁴² Umam, "Peningkatan Ketaatan Syariah Melalui Pemisahan (Spin-off) Unit Usaha Syariah Bank Umum Konvensional."

⁴³ Arif and et. al, "Metode Spin-Off Dan Tingkat Profitabilitas: Studi Pada Bank Umum Syariah Hasil Spin-Off."

⁴⁴ Bismar, "Kajian Yuridis Tentang Pemisahan (Spin-Off) Unit Usaha Syariah Menjadi Bank Umum Syariah."

from its parent so that it can carry out sharia principles without interference from its parent bank, which is a conventional bank.

UUS growth is less than optimal compared to BUS. Judging from its development, it was found that in terms of financing, fund growth, or credit, BUS was better than UUS. UUS growth that is less than optimal is caused by many factors. Among them are the lack of product features, unsupportive parent bank policies, inefficient UUS operations, relationships with parent banks that are not as expected and work relationships that do not support each other. Based on this situation, UUS management is expected to become more focused and independent through the implementation of spin-offs. It is hoped that the spin-off will allow BUK management to focus more on their competence, as well as BUS. Business development acceleration is easier for the spin-off BUS to carry out and feel.⁴⁵ The implementation of a spin-off can increase incentives for management. This is based on the condition that the pricing design can be influenced by the performance and conditions of each division. Companies that have large business lines can result in inaccurate profit calculations because there is a mix of overhead costs from each division. With a spin-off, these possibilities can be avoided.⁴⁶

C. Readiness of Islamic Banking Windows to Implement Spin-Off

Considering that the deadline for carrying out this obligation is about one more year, this forces every BUK that has a UUS to immediately prepare its UUS properly and with full consideration so that it can carry out the spin-off before the specified time. Carrying out the spin-off requires careful consideration and preparation from both UUS and its parent bank. The existence of a business plan is very important to know the seriousness and readiness of BUK which has opened a UUS and has the intention to try to do a spin-off on its UUS by systematically realizing its plan.⁴⁷ To carry out a spin-off, it is necessary to make more mature preparations at the beginning of the investment, both in terms of capital, management, human resources, and also share ownership.⁴⁸

UUS needs to take into account the initial investment in preparing itself for the spin-off seriously, such as the existence of a business plan from a sharia bank with an action plan, in which the spin-off plan is included as well as a focus on short, medium and long-term development; each bank improves the quality of its human resources and IT in various ways, such as conducting in-

⁴⁵ Ahmad Syakir, "Spin-Off Unit Usaha Syariah," *Jurnal Ekonomi Dan Bisnis Islam UIN Sumatera Utara*, 2008.

⁴⁶ Rifin, Saptono, and Dewati, "Pemilihan Metode Spin Off Unit Bisnis Syariah Dengan Pendekatan Analisa Faktor (Studi Kasus PT. BNI Syariah Dan PT. Bank Syariah BRI)."

⁴⁷ Arif and et. al, "Metode Spin-Off Dan Tingkat Profitabilitas: Studi Pada Bank Umum Syariah Hasil Spin-Off."

⁴⁸ Dety Nurfadhilah, "Analisa Dampak Sebelum Dan Sesudah Spin-Off Pada Profitabilitas: Studi Kasus Pada Unit Usaha Syariah Di Indonesia," *Jurnal Ekonomi Dan Industri* 20, no. 2 (2019).

depth training, spiritual strengthening and collaborating with institutions or universities that have the embryo of human resources in the Islamic banking industry; attracting customers and cooperating with various parties to enlarge their assets considering that the spin-off BUS is still one to two years old; increasing the development of products that can be applied through a network of services spread across the community.⁴⁹

Several factors are considered in the spin-off process, the company is obliged to assign or appoint a leader and work team for a spin-off project that is solid and strong and can carry out their duties on time; In the preparatory stage, the company establishes a thorough consideration and spin-off plan including determining capital and identifying investors in order to strengthen the preparation of a post-spin-off business plan that is carried out carefully and effectively as a clear basis for the leadership and work team of the spin-off project. The importance of the parent bank's role and participation in the preparation stage is to show how committed it is to the UUS spin-off process and post-spin-off business development and how much support the spin-off project work team has; the stages of implementing the spin-off which include the preparation of the BUS organization, the integration program and the legal process are the actual spin-off process; prepare well the technology and infrastructure which includes technology and information systems, bookkeeping and reporting as well as delivery channels; the change in status from a BUK employee to a BUS employee has resulted in a change in the corporate culture that requires serious attention to the spin-off process; the need to pay attention to how the community or customers will react to the spin-off plan. The existence of the BUS as a result of the spin-off is certainly expected to get support from the community or customers by remaining loyal as customers.⁵⁰

During the transition from UUS to BUS, of course, there are many things that need to be prepared. All of these preparations will be based on a large range of capital. Things to be prepared include the provision of offices, this is the main thing to be provided. In carrying out a business activity, you definitely need a comfortable place for all employees and prospective customers. This is one of the factors that can encourage the development of BUS performance; preparation of human resources who are proficient in their fields, this also requires costs that are not cheap. Expenditures on HR are also one of the factors that drive banking. So that in the first year the opening of a new BUS office will require HR training and consolidation which consumes quite a lot of time and capital; The new BUS introduces the products offered. In pursuing capital growth, varied products, education to the public about Islamic banks and product capacity are also important things that must be estimated. In addition, product quality, cost and delivery time

⁴⁹ Amalia Nasuha, "Dampak Kebijakan Spin-Off Terhadap Kinerja Bank Syariah."

⁵⁰ M Nur Rianto Al Arif, "Keterkaitan Kebijakan Pemisahan Terhadap Tingkat Efisiensi Pada Industri Perbankan Syariah di Indonesia," *Jurnal Keuangan Dan Perbankan* 19, no. 2 (2015).

efficiency are also one of the keys to satisfaction so that it will grow customer loyalty. This needs to be improved by the new BUS to win the hearts of customers so that they continue to be loyal partners; IT system development. IT has become the most important thing that cannot be tolerated. BUS will build its own IT infrastructure after previously staying with the parent bank in mobile banking and other internet services. This development aims to avoid the risk of mixing or even losing data. An advanced company is certainly accompanied by sophisticated and modern IT so that it can accelerate the company's development. Currently, people live in the sophistication of IT so that various forms of transactions are starting to take advantage of technology; The BUS must also develop products, either adding products or developing existing products.⁵¹

Banks can be said to be eligible for a spin-off if they meet the criteria for the parent bank's total assets of 5-10 trillion; ROA value is more than or equal to 1%; NPF value less than 2%; FDR value 85-95%; business funds more than or equal to Rp. 1 trillion.⁵² However, the spin-off implementation can certainly be carried out even though it does not meet the asset criteria of the parent bank.⁵³ For example, in Bank BNI Syariah which carried out a spin-off in 2010. In the process, several factors were found that triggered the UUS BNI Syariah to spin-off, these factors included external factors: increasingly supportive regulatory aspects; increasingly promising aspects of the sharia industry; and aspects of increasing awareness and increasing customer preference for BUS over UUS. Meanwhile, internal factors include the determination of the spin-off in 2009 as stated in the Corporate Plan of the BNI Syariah Business Unit 2003; high increase in BNI Syariah market share and sufficient capacity from 9 years of experience in managing UUS.⁵⁴

The factors that are the keys to success in the implementation of the spin-off are finance and capital. The cost of the Parent Bank's participation in the BUS is carried out by transferring the capital set aside by the Parent Bank to the UUS in the form of fixed assets or cash deposit; financial goals. One of the objectives of establishing a subsidiary is to increase company profits. The capital provided by the Parent Bank to the subsidiary (BUS) must provide a lucrative return, at least close to what the Parent Bank has achieved and targeted so far; marketing, networking and communications. In order to reach the widest possible market, marketing activities start from regular marketing research to explore the expectations and needs of the community for sharia banking products, design the right product, conduct trials and develop a network that allows the

⁵¹ Laila Afni, "Solusi Alternatif Spin-Off Premature Bagi Unit Usaha Syariah Di Indonesia," *Al-Muamalat: Jurnal Ilmu Hukum & Ekonomi Syariah* 6, no. 1 (2021).

⁵² Hanawijaya, "Outlook Dan Konsolidasi Perbankan Syariah Menuju Target Spin-Off 2023," 2022.

⁵³ Bank Indonesia, Peraturan Bank Indonesia (PBI) No.11/10/PBI/2009 tentang Unit Usaha Syariah.

⁵⁴ Andika and et. al, "Analisis Peluang Dan Tantangan Pelaksanaan Kewajiban Spin-Off Unit Usaha Syariah Menjadi Bank Umum Syariah (Studi Kasus PT. BNI Syariah)."

public to become customers or business partners of the BUS; organizational structure and Human Resources (HR). The organizational structure is designed to be able to maximize the potential of existing human resources and be able to adapt or adapt to changing business needs. BUS resulting from a spin-off from the UUS of the Parent Bank prioritizes HR, which has been managing the UUS of the Parent Bank with the condition that it passes the selection; information technology system. After the spin-off, BUS outsources to third parties that are customizable, more focused and flexible, trend-following, flexible and cost-controlled; facilities and infrastructure. Utilizing facilities and infrastructure or various assets of the Parent Bank that have not been optimized is one of the strategic policies of the Parent Bank.⁵⁵

Facing the spin-off regulation in 2023, both BUK and UUS must prepare themselves as well as possible, even though they are faced with the fact that the deadline for conducting spin-offs is not long in the future. UUS must get full support from the Parent Bank, especially in terms of capital so that in the process, the spin-off runs as expected and can carry out obligations as mandated by the Act.

D. Impact of Islamic Banking Windows Spin-Off

1. Positive impact

The implementation of the spin-off has a direct impact on the growth of Islamic banking assets. The UUS spin-off process to become a BUS has succeeded in increasing the BUS market share in the national banking industry. Data from 4 samples of BUS from the UUS spin-off show that the total assets of each BUS during the 5 years after the spin-off experienced a significant increase.⁵⁶ The implementation of the spin-off has also been proven to be able to increase savings.⁵⁷ Spin-off is able to increase the development of Islamic banking in Indonesia.

In terms of the core business of doing a spin-off is to increase the company's revenue.⁵⁸ Spin-off can be a business opportunity to develop the banking industry. Basically, BUS can carry out more business activities than UUS.⁵⁹ Spin-off can be a business opportunity to develop the banking industry. Basically, BUS can carry out more business activities than UUS.⁶⁰

⁵⁵ Rukmana, "Peluang Meningkatkan Kinerja Dan Daya Saing Unit Usaha Syariah (UUS) Melalui Spin-Off Menjadi Bank Umum Syariah (BUS) Di Indonesia," in *Prosiding SENTIA*, 2016.

⁵⁶ Prima Naomi, "Financial Performance of Sharia Banks Before and After Spin-Off," *Journal of Innovation in Business and Economics* 1, no. 2 (2017).

⁵⁷ M Nur Rianto Al Arif, "Does the Spin-off Policy Can Accelerate the Deposit Funds in the Indonesian Islamic Banking Industry?," *Journal of Business and Retail Management Research (JBRMR)* 13, no. 1 (2018).

⁵⁸ Itang, "Peluang Dan Tantangan Spin-off Unit Usaha Syariah Menjadi Bank Umum Syariah."

⁵⁹ Amalia Nasuha, "Dampak Kebijakan Spin-Off Terhadap Kinerja Bank Syariah."

⁶⁰ Miftahul Fahmi and et. al, "Does the Spin-off Policy Change the Shariah Bank Financial Ratio?," *Opción* 36, no. 27 (2020).

Changing the status to BUS, it will become independent and strategic so that it is easier to accelerate the development of sharia business. The hope is that the new BUS will be easier to compete, agile, fast and flexible in making business decisions.⁶¹ After the spin-off, BUS gets various advantages. Through the spin-off, the parent company can focus more on its business activities. Meanwhile, new BUS also have the opportunity to maximize their business activities. The authority of the BUS is not limited to improving the capability and quality of the services offered. From several BUS that have carried out spin-offs, there has been an increase in competitiveness and employment opportunities through the establishment and addition of new companies, expanding employment opportunities and healthy economic growth.⁶²

2. Negative impact

Spin-off can reduce the efficiency level of the BUS when compared to its status as UUS at the beginning of the separation.⁶³ In the initial period of separation, the level of operational efficiency of Islamic commercial banks was very low as indicated by the high BOPO value.⁶⁴ The higher the value of the BOPO ratio, the more inefficient the bank is. The value of the BOPO ratio after separation is getting higher. This can be caused by the bank's operating income being unable to cover its operational costs so that the bank's operational activities are not smooth.⁶⁵

The increase in operational costs for the spin-off BUS is unavoidable. Prior to the spin-off, the parent bank bore some of the costs of UUS. Then when the UUS has separated itself and become a BUS, then some of the costs that were originally borne by the parent bank must be borne by the BUS resulting from the spin-off itself. Some of these costs include costs related to financing, general and administrative costs and technology costs.⁶⁶ found that the value of the NPF ratio worsened after the spin-off. In the first year after the implementation of the spin-off, the NPF value was higher than the previous year, this showed that in the early years the bank had not been able to overcome non-performing financing after the spin-off, the decrease in asset value resulted in a larger distribution so that the NPF increased and the bank could not expand financing.⁶⁷ In addition, restructuring has not been well controlled, the availability of Islamic banking networks and infrastructure has not reached remote areas, and the majority of customers are more interested in conventional banks which do not require a lot of documents.⁶⁸

Employees also cannot be separated from the negative impact of spin-offs. During the spin-off process, employees usually face times of uncertainty, worry, and fear of the uncertainty of their future fate. Not only that, at the time of the spin-off, employees also experience stress because they face differences that have never been experienced before, such as differences in

⁶¹ Andika and et. al, "Analisis Peluang Dan Tantangan Pelaksanaan Kewajiban Spin-Off Unit Usaha Syariah Menjadi Bank Umum Syariah (Studi Kasus PT. BNI Syariah)."

⁶² Afni, "Solusi Alternatif Spin-Off Premature Bagi Unit Usaha Syariah Di Indonesia."

leadership styles, organizational culture or company orientation. All these differences eventually lead to organizational mismatch.⁶⁹

3. Criticisms, Suggestions and Solutions to Policies and Implementation of Islamic Banking Windows Spin-Offs

Keep in mind again that spin-off is an obligation regulated by law. Things that need more attention are the criteria for mandatory spin-offs, namely if the UUS asset value reaches 50 percent of the total assets of conventional banks or at least 15 years after the issuance of the regulation.⁷⁰ The criteria that must be met by UUS are actually to reduce dependence on the parent bank. So that when the asset criteria are met, UUS can work independently and can carry out its functions as a BUS maximally and be able to compete.⁷¹ However, this can spark debate. Whether the policy is appropriate and can be implemented by UUS or not. Moreover, there is a set deadline of 15 years. None of the Islamic Banking Windows can meet the criteria for the proportion of assets of 50% of conventional parent banks in 2023.⁷² UUS can become a BUS not in 2023 but in 2034. The total assets of UUS have only reached 14.7% of the total assets of the Conventional Parent Bank in 2023. Total assets of UUS are projected to reach more than 50% in 2034, which is equal to 54.6%.⁷³

The spin-off criteria should be revised. OJK must establish strong standards for spin-offs not based on asset value or time. The consideration that should be prioritized in the UUS spin-off to become a BUS is the performance of the UUS concerned.⁷⁴ If the UUS has a good performance before the spin-off, then when the UUS has become a BUS it will no longer depend on its parent

⁶³ Afni.

⁶⁴ Ma Nur Rianto Al Arif, "Keterkaitan Kebijakan Pemisahan Terhadap Tingkat Efisiensi Pada Industri Perbankan Syariah Di Indonesia."

⁶⁵ Zata Ghaisani and et. al, "Analisis Perbandingan Kinerja Keuangan Pada Bank Umum Syariah Sebelum Dan Sesudah Melakukan Spin-Off (Studi Pada Bank BTPN Syariah)," *Jurnal Ilmiah Mahasiswa Ekonomi Akuntansi (JIMEKA)* 5, no. 1 (2020).

⁶⁶ M Nur Rianto Al Arif, "Keterkaitan Kebijakan Pemisahan Terhadap Tingkat Efisiensi Pada Industri Perbankan Syariah Di Indonesia."

⁶⁷ Ghaisani and et. al, "Analisis Perbandingan Kinerja Keuangan Pada Bank Umum Syariah Sebelum Dan Sesudah Melakukan Spin-Off (Studi Pada Bank BTPN Syariah)."

⁶⁸ Rachmania and et. al, "Analisis Tingkat Kesehatan Bank Syariah Sebelum Dan Sesudah Spin-Off," *Jurnal Manajemen Dan Bisnis (Ekspektra)* 1, no. 1 (2017).

⁶⁹ Achmad Shobirin, "Merger Dan Akuisisi: Sebuah Perkawinan Paradoksal," *Jurnal Siasat Bisnis* 1, no. 6 (2001).

⁷⁰ Republic of Indonesia, UU Nomor 21 Tahun 2008 tentang Perbankan Syariah.

⁷¹ Achmad Jufri and et. al, "Siapkah UUS Untuk Spin-Off? Analisis Kinerja Keuangan UUS Di Indonesia," *MUSLIMPRENEUR* 2, no. 1 (2022).

⁷² Ismawati Haribowo, "The Indonesian Islamic Bank's Spin-Off: A Study in Regional Development Banks," *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah* 9, no. 1 (2017); M Nur Rianto Al Arif, "Evaluation of the Spinoffs Criteria: A Lesson from The Indonesian Islamic Banking Industry," *Iqtishadia* 11, no. 1 (2018).

⁷³ Angrum Pratiwi, Dedy Mainata, and et. al, "Spin-Off Perbankan Syariah Di Indonesia: Proyeksi Perhitungan Dan Studi Kritis Peraturan," *Kodifikasi: Jurnal Penelitian Islam* 15, no. 2 (2021).

bank and will be able to operate independently.⁷⁵ OJK has not issued a planning guide and technical basis for spin-offs during the transition period.⁷⁶ The current regulations, both issued by BI and OJK, have not explained this, starting from the capital, asset readiness, and the number of offices required by UUS. Regulations often discuss licensing and legal requirements, there is no financial reinforcement in UUS spin-offs.⁷⁷

The focus of the regulator should be on preparing a healthy Islamic banking industry and not forcing UUS to separate if UUS is not ready from a business perspective. The spin-off policy should be implemented if the UUS concerned is ready, both in terms of financial performance and capital.⁷⁸ If the Islamic Banking Windows is instead pushed for a very narrow or premature spin-off, it will create small and weak Islamic banks.⁷⁹ Continuous support is needed from the government through various regulations and provisions in the UUS spin-off process so that the parent bank and UUS are not burdened financially.⁸⁰

The performance and efficiency of the spin-off BUS is lower than before when it was still a UUS. Even the spin-off policy doesn't produce better performance even after 4 years. Therefore, regulators must look for complementary policies to reduce the negative effects of spin-off policies.⁸¹ If the government continues to require a spin-off in 2023, then there are several things that must be considered, only Islamic Banking Windows that have good performance are allowed to carry out spin-offs; parent banks are required to increase the size of UUS, so that they can maintain their independence after the spin-off process; policy makers should pay special attention to Islamic Banking Windows to increase size, so that they are ready for a spin-off before July 2023.⁸²

The challenges that will be faced by UUS if it continues to spin-off: IT infrastructure and e-banking are prioritized because without them banks cannot operate and customer transaction needs cannot be fulfilled.⁸³ After the spin-off, UUS which is already in the form of a BUS is

⁷⁴ M Nur Rianto Al Arif, "Evaluation of the Spinoffs Criteria: A Lesson from The Indonesian Islamic Banking Industry."

⁷⁵ Arif and et. al, "Tipe Pemisahan Dan Pengaruhnya Terhadap Laba Pada Bank Umum Syariah Hasil Pemisahan."

⁷⁶ Itang, "Peluang Dan Tantangan Spin-off Unit Usaha Syariah Menjadi Bank Umum Syariah."

⁷⁷ Angrum Pratiwi, Mainata, and et. al, "Spin-Off Perbankan Syariah Di Indonesia: Proyeksi Perhitungan Dan Studi Kritis Peraturan."

⁷⁸ M Nur Rianto Al Arif, "Keterkaitan Kebijakan Pemisahan Terhadap Tingkat Efisiensi Pada Industri Perbankan Syariah Di Indonesia."

⁷⁹ Ahmad Syakir, "Spin-Off Unit Usaha Syariah."

⁸⁰ Hilman, "Sharia Business Unit Spin-off: Strategic Development Model of Sharia Banking in Indonesia."

⁸¹ Irwan Tri Nugroho, "Is Spin-off Policy an Effective Way to Improve Performance of Islamic Banks? Evidence from Indonesia," *Journal Pre-Proof*, 2020.

⁸² M Nur Rianto Al Arif and et. al, "The Islamic Banking Spin-Off: Lessons from Indonesian Islamic Banking Experiences," *JKAU: Islamic Econ* 30, no. 2 (2017).

⁸³ Itang, "Peluang Dan Tantangan Spin-off Unit Usaha Syariah Menjadi Bank Umum Syariah."

encouraged to have its own IT system. In the first spin-off method, IT and e-banking infrastructure is prepared through new procurement or cloning of infrastructure from the parent bank. With a smaller business size, the choice of new procurement will definitely affect the finances of the newly operating BUS. In addition, it can lower the standard of service enjoyed by customers due to the limited coverage and features of e-banking. For the cloning option, it can slow down system development in the long term considering that the platform is conventional banking IT although it is more efficient; Network cooperation is also a very important factor considering that many UUS utilize the network from their parent to market their sharia products. Differences in IT systems and changes in officials or officers of the parent bank will also become obstacles that greatly affect network cooperation; UUS costs have so far been supported by the parent bank, which has enabled UUS to offer competitive financing. With the spin-off, UUS that becomes a BUS is forced to be independent so it is likely that the fund structure will be worse; financing becomes more limited due to much smaller capital as a new BUS. The maximum limit for financing distribution (BMPP) is also getting smaller due to a small amount of capital; based on the projected possibility that less than 30% of UUS will become BUSs in the BUKU 2 group, the rest will be included in the BUKU 1 group in 2020. This means that spin-offs actually make business development opportunities much more limited than when the UUS status was still following the parent bank's BUKU group, namely in BUKU 3 or maybe BUKU 4.

In dealing with this, the way that the new BUS can do is by maximizing third party funds (DPK).⁸⁴ BUS to maximize the use of TPF by channeling it in the form of financing in order to increase revenue. The strategy that must be carried out is to improve the quality of service and product diversity, as well as socialize Islamic banking products to the public so that the target of increasing revenue and growing market share can be achieved.⁸⁵

Namely by merging the existing UUS to achieve a 50% portion of the parent BUK assets by merging 14 UUS BPDs, with the following scheme: merger of 5 UUS BPDs in Sumatra (UUS BPD Sumsel Babel, UUS BPD North Sumatra, UUS BPD West Sumatra (Bank Nagari), UUS BPD Jambi and UUS BPD Riau and Riau Islands become BUS Sumatra (Sumatra Sharia Bank)); merger of 4 UUS BPD in Java (UUS BPD East Java, UUS BPD DIY, UUS BPD Central Java and UUS BPD DKI into BUS Java (Java Sharia Bank)); merger of 1 UUS BPD Sulawesi with 3 UUS BPD Kalimantan, namely: UUS BPD South and West Sulawesi, UUS BPD East Kalimantan,

⁸⁴ Afni, "Solusi Alternatif Spin-Off Premature Bagi Unit Usaha Syariah Di Indonesia."

⁸⁵ Aam Slamet Rusydiana and et. al, "Spin-Off Policy of Sharia Bank: Is It Profitable," *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah* 11, no. 2 (2019).

UUS BPD West Kalimantan and UUS BPD South Kalimantan to become BUS Kalimantan (Kalimantan Islamic Bank).⁸⁶

Another alternative strategy that can be taken to deal with the spin-off obligation is the conversion of conventional banks to Islamic banks. For example, as has been done by BPD Aceh. Based on the regulations, the steps that must be passed by a bank to carry out the conversion are relatively simpler than the conditions that must be met in conducting a spin-off so that the conversion plan becomes an ideal choice as a substitute for a spin-off.⁸⁷ Conversion policies that have been carried out by BPD Aceh and BPD NTB have shown encouraging results. This can be seen from the achievement of a 5% market share after Bank Aceh made a full conversion into a sharia bank.⁸⁸

CONCLUSION

There are 2 ways that a BUK can do to separate its UUS, namely by building a new Islamic Commercial Bank (BUS) or by transferring the rights and obligations of the UUS to an existing BUS.

The reason why the spin-off is important is to avoid mixing conventional and sharia so that it will create the development of purer sharia products and increase customer trust and so that management is more independent in accordance with their respective businesses and can develop and compete.

Capital readiness is the main preparation that must be prepared by UUS who want to spin-off. UUS must prepare itself as well as possible even though it is faced with the fact that the deadline for conducting spin-offs is not far away.

The positive impacts of the spin-off implementation include: increasing the development and market share of BUS in Indonesia, increasing the income of banks having more diverse products than before, it is easier to accelerate the development of sharia businesses because they are independent and strategic and the parent company and the separated company can more focused on their respective business activities so as to maximize their business activities. While the negative impacts include: lower efficiency levels at the beginning of the separation due to the large amount of capital that must be issued so that the bank's operating income cannot cover its operational costs, worsening of the ratio value in the initial year of the bank because it has not been able to overcome problem financing after the spin-off, has not been controlled by

⁸⁶ Hilman, "Sharia Business Unit Spin-off: Strategic Development Model of Sharia Banking in Indonesia."

⁸⁷ Rongiyati, "Pengembangan Perbankan Syariah Melalui Pelaksanaan Kewajiban Pemisahan Unit Usaha Syariah", Jurnal Negara Hukum."

⁸⁸ M Nur Rianto Al Arif, "The Alternative Strategies for Accelerating Islamic Banking Growth: Mergers, Spin-Offs, Acquisitions and Conversions," *Al-Ulum* 20, no. 1 (2020).

restructuring with good, inadequate network and infrastructure availability because they are separated from the parent bank, and the stress of employees due to different leadership styles, organizational culture or company orientation.

No UUS is ready to do a spin-off before 2023, so this obligation must be revised. Regulators should not force UUS to separate if UUS is not ready from a business perspective. The postponement of carrying out the spin-off in 2023 was deemed necessary. If the government still requires a spin-off in 2023, then the way the new BUS can do it is by maximizing (DPK) by distributing quality financing in order to be able to increase revenue. In addition, there are other options, such as merging several UUS or converting BUK that owns UUS to BUS.

Despite the many shortcomings in this study, the researchers hope that this research can be useful especially for further research related to this research. Researchers hope that in future research they can develop theories about the title of this research or can dig deeper into the formation of other Islamic banks and find other problems such as conversion methods, mergers and so on.

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