COMPARATIVE ANALYSIS OF THE EFFECTIVENESS OF FINANCING RISK MANAGEMENT AT BANK SYARIAH INDONESIA AND BANK MUAMALAT INDONESIA

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Abstract

Financing risk management plays a role in maintaining the stability and sustainability of banking operational performance in Indonesia, including Islamic banking. This study aims to assess the level of financing risk management implementation at Bank Syariah Indonesia (BSI) and Bank Muamalat Indonesia (BMI) using the financial ratios of Non-Performing Loan (NPF), Fixed Deposit Receipt (FDR), and Capital Adequacy Ratio (CAR) throughout the 2021–2024 period through a qualitative descriptive approach. The analysis results show that BSI successfully reduced its non-performing financing rate from 2.93% to 1.90%, increased its third-party fund utilization from 73.39% to 84.97%, and maintained its capital adequacy ratio in the range of 20–22%, reflecting the effectiveness of risk management and the performance of the intermediation function. Meanwhile, BMI recorded an increase in NPF to 3.35%, a relatively low financing to third-party fund ratio of 38–47%, and a high capital adequacy ratio in the range of 28–33%, indicating a more conservative approach to capital management. Overall, BSI demonstrated greater effectiveness in managing financing risks compared to BMI, demonstrated by maintained asset quality, intermediation efficiency, and better financial stability.

Keywords: Financing Risk Management, Bank Syariah Indonesia, Bank Muamalat Indonesia, NPF, FDR, CAR

INTRODUCTION

Financing risk management plays a crucial role in maintaining the stability and sustainability of Islamic banking performance in Indonesia. In the banking sector, effective risk management is a key instrument for maintaining public trust and ensuring systemic resilience to economic fluctuations. The implementation of prudential principles in financing risk management depends heavily on a bank's ability to manage credit risk, liquidity risk, and capital adequacy. These three aspects can be represented through the NPF (Non-Performing Financing Facility), FDR (Finance Debt to Deposit Ratio), and CAR (Capital Adequacy Ratio), which are key indicators of the effectiveness of financing risk management in Islamic banks.(Norhayati, 2023).

In the post-Covid-19 pandemic context, analyzing the effectiveness of financing risk management becomes increasingly important given the increasing economic uncertainty and changes in customer behavior.(Kuswahariani et al., 2020)These three ratios not only reflect the bank's financial health but also reflect the ability of Islamic financial institutions to maintain asset quality, liquidity, and capital adequacy amid external challenges. These dynamics merit further study in two major national Islamic banks, BSI and BMI, which differ in both operational and historical aspects. BSI, the result of the consolidation of major Islamic banks in Indonesia, represents a national-scale integration of risk management systems.(Ni'mah et al., 2023)Meanwhile, more experienced BMIs demonstrated risk management adaptation to the context of more established sharia institutions.(Ilhami & Thamrin, 2021).

Empirically, the relationship between NPF, FDR, and CAR has been widely studied as the main indicators of the health of Islamic banking.(Norhayati, 2023). The NPF reflects the level of non-performing financing risk, the FDR is used to assess the extent to which a bank converts third-party funds into financing facilities, and the CAR assesses capital adequacy to cover potential losses. These three ratios have a mutually influential relationship that can determine the level of profitability, intermediation efficiency, and a bank's resilience to systemic risk. Changes in one ratio, for example an increase in the NPF, are often negatively correlated with financial performance such as Return on Assets (ROA), while an increase in CAR and balanced FDR management can strengthen bank stability.(Veriana & Wirman, 2023).

However, most previous research has focused on analyzing the relationship between these variables partially or on a single bank, without directly comparing the effectiveness of financing risk management across Islamic banking entities. However, a comparative approach between BSI and BMI could provide a deeper understanding of how differences in internal policies, capital capacity, and financing strategies influence the effectiveness of risk management at the two banks. Furthermore, the influence of external factors such as regulatory changes and macroeconomic conditions also needs to be taken into account when assessing risk management performance during the 2021–2024 period.(Moorcy et al., 2020).

This research has both academic and practical relevance: assessing the effectiveness of financing risk management implementation at Islamic banks (BSI) and Islamic banks (BMI) in maintaining national Islamic financial stability. The analysis focuses on the relationship between Non-Performing Loan (NPF), Fixed Deposit Reduction (FDR), and Capital Adequacy Ratio (CAR) as key variables reflecting the effectiveness of risk policies. By analyzing two major Islamic banks in Indonesia in the post-pandemic period, this study aims to enrich the literature with empirical findings related to financing risk management in Islamic banking while also providing policy implications for strengthening governance and stability of the Islamic financial intermediation function.(Saidatur Rolianah & Umayyatun, 2024).

The novelty of this research lies in the comparative analysis of two national Islamic banks for the 2021–2024 period, using an integrative framework of three key ratios (NPF, FDR, and CAR). Unlike previous studies, which tended to be partial, this research emphasizes the interrelationships between these variables in describing the effectiveness of financing risk management and its impact on financial stability in the post-pandemic era. Furthermore, this research links internal bank dynamics with external factors such as prudential regulations and macroeconomic changes, thus providing a theoretical contribution to understanding financing risk management mechanisms in the context of Islamic banking in Indonesia.(Mahdi, 2021).

LITERATURE REVIEW

Islamic Banking

Islamic banking is a financial institution that carries out intermediary functions based on sharia principles, including the prohibition of usury, gambling and gharar.(Hamdani et al., 2024)In practice, Islamic banking focuses not only on profit but also emphasizes economic welfare and social justice. Within a macroeconomic framework, Islamic banks serve as a strategic instrument to stimulate real sector growth through partnership-based financing and profit-sharing principles.(Umar & Haryono, 2022).

Furthermore, the growth of Islamic banking in Indonesia has experienced substantial growth in line with regulatory support from the Financial Services Authority (OJK) and Bank Indonesia (BI), which strengthen governance and financial system stability. The growth of Islamic financing has also been accompanied by increasing public awareness of halal and ethical financial products. The Islamic banking system has significantly contributed to expanding access to financing for the productive sector, particularly for MSMEs, thus playing an increasingly strategic role in supporting the national economy.(Syarvina & Sugianto, 2023).

Financing Risk Management

Financing risk management is the process of identifying, measuring, monitoring, and controlling risks arising from financing activities, with the aim of minimizing potential losses resulting from non-performing financing. In the context of Islamic banking, risk management practices are crucial because financing activities are based on partnership principles, which carry the potential for uncertainty in business outcomes. The effectiveness of risk management is a key indicator in maintaining operational stability and preventing non-performing financing.(Hidayat, 2024)Therefore, good risk management must include aspects of internal supervision, financing feasibility analysis, and the application of the principle of prudence.

The effectiveness of risk management can be measured through key financial ratios, such as the Non-Performing Loan (NPF), the Funding Ratio (FDR), and the Capital Adequacy Ratio (CAR). These three ratios are used to assess a bank's ability to maintain a balance between liquidity, asset quality, and capital adequacy.

Effective risk management not only minimizes potential losses but also strengthens customer confidence in a stable and sustainable Islamic banking system.(Sudirman et al., 2022).

Financial Ratios

Financial ratios are comparisons or numerical indicators used to assess the financial condition, performance, and health of a company or financial institution. In banking, financial ratios can be seen from the Non-Performing Financing (NPF), Financing to Deposit Ratio (FDR), and Capital Adequacy Ratio (CAR). NPF reflects the level of non-performing financing that affects asset quality and profitability, FDR indicates a bank's ability to channel funds efficiently without disrupting liquidity, while CAR reflects the strength of capital in bearing risks. These three ratios are interrelated, where an increase in NPF can suppress FDR and CAR, while capital adequacy serves as a buffer against potential losses.(Rolianah et al., 2021).

Empirically, the balance between NPF, FDR, and CAR is key to maintaining the profitability and resilience of Islamic banks, particularly during times of economic uncertainty. A low NPF indicates sound financing risk management, an optimal FDR indicates effective intermediation, and a high CAR reflects capital resilience to the risk of non-performing financing. Therefore, effective risk management through controlling these three ratios is a crucial strategy for maintaining the sustainability and competitiveness of Islamic banking in Indonesia.(Rahmawati et al., 2021).

METHODOLOGY

This study uses a qualitative approach with data collection through literature review. This study aims to provide an in-depth overview of the effectiveness of financing risk management at Bank Syariah Indonesia (BSI) and Bank Muamalat Indonesia (BMI) during the post-pandemic period, namely 2021–2024. The research data was obtained from the annual reports of both banks accessed through their respective official websites, as well as academic literature and previous research relevant to the topic of financing risk management in Islamic banking. The analysis was conducted by reviewing, comparing, and interpreting secondary data in the form of key financial ratios, namely NPF, FDR, and CAR, to understand how the two banks manage financing risk. This approach allows researchers to explore the meaning and patterns of risk management implementation comprehensively based on empirical findings and existing literature.(Sugiyono, 2021).

RESULT AND DISCUSSION

Profile and Financial Performance of Bank Syariah Indonesia and Bank Muamalat Indonesia

Bank Syariah Indonesia (BSI) was formed from the merger of three large state-owned Islamic banks, namely BNI Syariah, BRI Syariah, and Mandiri Syariah, in 2021. This consolidation aims to strengthen capital, expand service coverage, improve operational efficiency, and strengthen the implementation of prudent risk management. The merger results in BSI becoming the largest Islamic bank in Indonesia with total assets reaching IDR 408.61 trillion in 2024. The existence of BSI is a crucial momentum for strengthening the national Islamic financial system, particularly in expanding financial access, improving public financial literacy, and becoming an example of integrated risk management practices that are able to balance profitability, liquidity, and compliance with Islamic principles.

Within the framework of assessing bank health based on the RGEC aspect, BSI demonstrated relatively stable performance during the post-pandemic period. The capital adequacy ratio (CAR) and liquidity ratio (FDR) remained at healthy levels, while the non-performing financing (NPF) ratio was successfully suppressed through restructuring strategies and strengthened risk management during the post-COVID-19 pandemic recovery period. Post-merger consolidation also contributed to increased operational efficiency, as reflected in the decline in the BOPO ratio and improvements in profitability indicators such as ROA and ROE. These results demonstrate that BSI is able to maintain a balance between financing expansion and risk management, supported by a portfolio diversification strategy and the implementation of an integrated risk monitoring system. Thus, BSI has proven to be resilient in facing domestic and global economic dynamics.

Meanwhile, Bank Muamalat Indonesia, as a pioneer of Islamic banking in Indonesia, faces greater challenges in maintaining the stability of its financial performance. Internal factors such as the NPF ratio, CAR, FDR, and BOPO, as well as the influence of external factors such as inflation and national macroeconomic conditions, are key determinants of the bank's sustainable performance. In the post-pandemic period, BMI is focusing on improving asset quality, controlling non-performing loans, and operational efficiency to maintain financial performance amidst increasingly fierce industry competition. Financing strategies using profit-sharing principles such as musyarakah and mudharabah are the mainstay in strengthening the intermediation function and maintaining liquidity, although the challenge of a high NPF ratio remains a significant concern. These efforts reflect BMI's commitment to improving its risk structure and maintaining its competitiveness.

Implementation of Financing Risk Management at Bank Syariah Indonesia and Bank Muamalat Indonesia

Financing risk management is a crucial element in maintaining the stability and sustainability of Islamic banking operations. Islamic banks in Indonesia, such as BSI and BMI, use the RGEC approach to assess financial health, operational performance, and the effectiveness of financing risk management. The RGEC framework ensures that risk policy implementation is carried out in a measured manner and is consistent with prudential principles and compliance with Islamic principles. This approach allows both banks to detect risks early and take appropriate mitigation measures, thereby sustainably maintaining asset quality and financial performance.

As a result of the consolidation of three major banks, BSI has a structural advantage in financing risk management through strengthened governance, portfolio diversification, and increased capital capacity. The implementation of the Risk Governance Framework system enables integrated risk monitoring from the head office to the branches, particularly in profit-sharing contracts such as musyarakah and mudharabah. In practice, BSI demonstrates solid ratio performance. This demonstrates the effectiveness of risk mitigation policies through financing monitoring, post-pandemic restructuring, and the use of technology in its early warning system.

On the other hand, BMI faces structural challenges as an independent entity with a more limited funding and financing structure. BMI's NPF ratio has increased, indicating pressure on asset quality. Meanwhile, its FDR remains in the 38–47% range, indicating caution in disbursing financing funds. Nevertheless, BMI's CAR remains high, indicating relatively strong capital to cover risks. BMI is focusing on operational efficiency, financing restructuring, and liquidity optimization to mitigate the risk of non-performing financing.

In addition to the NPF, FDR, and CAR ratios, the effectiveness of risk management is also determined by compliance with the Maximum Fund Distribution Limit (BMPD), which is the maximum limit on financing that can be disbursed to related parties or certain business groups. This provision aims to prevent risk concentration and maintain the principle of prudence in disbursing funds. BSI, with its large core capital, has a broader BMPD capacity, allowing expansion into various productive sectors without exceeding regulatory limits. In contrast, BMI implements a more conservative BMPD policy by emphasizing financing diversification and strict selection of corporate customers to maintain a balanced portfolio risk. Compliance with this BMPD is a crucial part of the implementation of RGEC, particularly in the Risk Profile and Capital Adequacy aspects, which play a role in maintaining capital stability and asset quality in Islamic banks.

In terms of risk control and mitigation, both banks have similar approaches, but differ in the intensity of their implementation. BSI emphasizes a data-analytics-based supervisory system and digitized risk reporting, while BMI focuses on a more conservative approach through direct monitoring of non-performing financing portfolios. Mitigation is carried out through restructuring, contract diversification, and optimization of allowances for impairment losses (CKPN). This approach reflects the integration of financial risk management and compliance with Sharia principles as the foundation of a stable Islamic banking system.

Comparatively, BSI demonstrated more effective financing risk management than BMI, as evidenced by a declining NPF ratio, an optimal increase in FDR, stable CAR, and maintained compliance with BMPD. BMI continued to demonstrate resilience through a conservative strategy and contract-based risk management, although its intermediation effectiveness remained limited. Therefore, the success of financing risk management in Islamic banking depends heavily on a balance between capital structure, financing diversification, and compliance with regulations and sharia principles.

Financial Ratio Analysis at Bank Syariah Indonesia and Bank Muamalat Indonesia

The following data displays key financial ratios, namely NPF, FDR, and CAR, at BSI and BMI during the post-pandemic period, which are used to evaluate the effectiveness of financing risk management.

Table 1 Financial Ratios of BSI and BMI

BANK	YEAR	RATIO (%)		
		NPF	FDR	CAR
BSI	2021	2.93	73.39	22.09
	2022	2.42	79.37	20.29
	2023	2.08	81.73	21.04
	2024	1.90	84.97	21.40
BMI	2021	0.67	38.33	23.76
	2022	2.78	40.63	32.70
	2023	2.06	47.14	29.42
	2024	3.35	40.08	28.48

Source: BSI and BMI Annual Report

Based on the annual financial reports for the 2021–2024 period, changes in financial ratios are evident, reflecting the effectiveness of financing risk management at BSI and BMI. BSI's NPF ratio has steadily decreased, from 2.93% in 2021 to 1.90% in 2024, indicating improved financing risk management. Meanwhile, the Fund-to-Deposit (FDR) ratio increased from 73.39% to 84.97% during the period, reflecting BSI's increasingly optimal ability to channel third-party funds to the financing sector. Meanwhile, BSI's CAR (Capital Loss) ratio remains relatively stable at around 20–22%, indicating sufficient capital resilience to cover potential risks.

In contrast, BMI's NPF ratio is unstable with an increasing trend, from 0.67% in 2021 to 3.35% in 2024, indicating pressure on asset quality and increased financing risk. BMI's FDR ratio tends to be lower than BSI's, ranging from 38.33% to 47.14%, indicating still limited distribution of financing funds to total third-party funds. However, BMI exhibits a high CAR ratio, reaching 32.70% in 2022 before declining to 28.48% in 2024, indicating relatively strong capital capacity despite facing increased financing risk. Overall, these data indicate that BSI has a more stable and efficient risk management performance than BMI, both in terms of asset quality and the effectiveness of financial intermediation.

The performance of these financial ratios demonstrates that the effectiveness of financing risk management is significantly influenced by a bank's ability to maintain a balance between asset quality, liquidity, and capital adequacy. BSI, with its larger operational scale, is able to mitigate the risk of non-performing financing while expanding intermediation, while BMI needs to strengthen its risk mitigation strategy to maintain asset quality and improve financing distribution efficiency. Therefore, long-term financial stability in Islamic banks depends on the consistent application of prudential principles, portfolio diversification, and adaptive risk management to changing economic conditions.

Comparison of the Effectiveness of Financing Risk Management of Bank Syariah Indonesia and Bank Muamalat Indonesia

Financing risk management plays a strategic role in maintaining the stability and sustainability of the national Islamic banking financial performance. Effective risk management not only minimizes potential losses due to problem financing but also increases public trust in the Sharia-based financial system. As two key institutions in the national Islamic banking sector, BSI and BMI implement different approaches to risk management and financing oversight. Generally, the effectiveness of financing risk management can be measured through three key ratios: the Non-Performing Loan (NPF), the Funding and Deposit Insurance (FDR), and the Capital Adequacy Ratio (CAR). These three indicators illustrate the extent to which a bank is able to balance financing expansion, asset quality, and capital strength. In this context, the differences in the performance of BSI and BMI reflect variations in the effectiveness of each institution's risk policy implementation.

BSI stands out for its more integrated risk management system, which is adaptive to digital technology developments. Through the implementation of a Risk Governance Framework based on RGEC principles, BSI is able to create a faster risk identification and mitigation process, including implementing an early warning system for potential problem financing. This approach strengthens financial stability while increasing the efficiency of the intermediation function without sacrificing prudence. In contrast, BMI tends to implement a more conservative risk management strategy, focusing on mitigation based on financing contracts such as murabahah and musyarakah. This strategy demonstrates a commitment to prudential principles, but on the other hand, it can limit the scope for productive financing expansion. Limited digital innovation and a smaller operational scale compared to BSI also pose challenges to the effectiveness of the risk monitoring system.

Overall, it can be concluded that BSI has more optimal risk management effectiveness than BMI. The implementation of a technology-based supervisory system, comprehensive risk governance, and the ability to balance financing growth with capital stability make BSI superior in maintaining asset quality and financial resilience. While BMI has shown positive improvements, its effectiveness still needs to be strengthened through digitalization of risk management processes and optimization of the financing intermediation function to compete in the increasingly competitive Islamic banking industry.

CONCLUSION

The effectiveness of financing risk management can be measured through three main ratios: the non-performing financing ratio (NPF), the financing to third-party funds ratio (FDR), and the capital adequacy ratio (CAR). The NPF indicates the percentage of financing at risk of default, the FDR reflects the bank's efficiency in channeling third-party funds to the financing sector, and the CAR assesses the bank's capital capacity to bear potential risks. Together, these three indicators illustrate the extent to which a bank is able to balance financing growth, maintain asset quality, and strengthen its capital structure. In this context, the difference in performance between BSI and BMI reflects variations in the effectiveness of the implementation of risk management strategies at each institution.

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