Indonesian Journal of Islamic Business and Economics
Volume 06, No. 01, Year 2024
http://jos.unsoed.ac.id/index.php/ijibe

Comparative Analysis of Business Orientation, Efficiency, Financial Stability and Asset Quality in Conventional BPR and Sharia BPR

Anindya Rizki Nurbaeti[1], *Najmudin[2] and Intan Shaferia[3]

[1,2,3]Faculty of Economics and Business, Universitas Jenderal Soedirman

**Corresponding Author: najmudin-_najmudin@yahoo.com*

Abstract

This paper aims to investigate the difference by comparing the financial performances of conventional and Sharia banks listed in the Financial Services Authority. The proxies of the financial performances include orientation of business, efficiency level, stability of finance, and quality of asset. The population in this study is all conventional BPR and Sharia BPR located in Banyumas Regency with an observation period from 2015 to 2019. The technique to select the population is purposive sampling consists of 9 (nine) conventional BPR and 3 (three) Sharia BPR. This paper find that all four variables are significantly different in the average between conventional and Sharia rural banks. As implication, investors should prefer conventional BPR with consideration of the asset quality aspect. In contrast, investors should prefer Sharia BPR with consideration of business orientation, efficiency, and financial stability aspects. Moreover, the managements of conventional BPR should focus more on improving their business orientation aspect. Furthermore, both types of banks should improve financial stability and asset quality aspects.

Keywords: Conventional Rural Bank, Financial Performance, Sharia Rural Bank

INTRODUCTION

Banking in Indonesia has a fundamental advantage in the country's economy because banks have the aim of supporting the development of all aspects and increasing equality, growth and stability of economiy and improving community welfare. Therefore, bank activities must run efficiently at both the macro and micro scales.

Accoding to Banking Law no. 10 of 1998, commercial bank has activity to serve in traffic of payments based on conventional system or Sharia principle. Meanwhile, rural credit bank has no business activity to give service in traffic of payment based on convensional system or Sharia principle. The most basic principle distinguishing between conventional bank and Sharia bank is that Sharia bank was managed referring to principles of Sharia which require risk sharing and prohibit on interest as core system. Conversly, the conventional one was managed by the system with the motivation to maximize the profit (Olson & Zoubi, 2008). Apart from not being allowed to apply interest, Sharia banks are also obliged to eliminate business activities and transactions that deviate from Islamic law, including supporting the trade in alcoholic drinks, haram and dangerous food, gambling businesses and pornography businesses (Rochmah & Abdullah, 2011).

Providing banking services and products for financially weak society and small and micro business for particularly rural regional is the goal of conventional BPR and Sharia BPR (Muhari & Hosen, 2014). In general, conventional BPRs and Sharia BPRs have relatively the same goals and characteristics as financial institution in micro level to enhance the society development and commercial goals. In general, in conventional BPR from 2015 to 2019, the development of BPR from third party funds, assets and credit experienced a significant increase. This indicates a positive trend for conventional BPR in Indonesia. However, judging from the development of the number of BPRs in units, conventional BPRs have experienced a decline in several periods.

The development of Sharia banking showed an increase from 2015 to 2019. At a time when the number of Sharia banks in Indonesia was growing, Sharia BPRs also experienced an increase. The development of Sharia BPR in Indonesia has increased based on third party funds, assets, financing and the number of Sharia BPRs from 2015 to 2019. This shows that Sharia BPR and Sharia banking are able to compete with conventional BPR and conventional banking.

From the development of Sharia and conventional BPRs that have experienced good development, it can be seen from the financial performance that conventional BPR has experienced fluctuating developments in the LDR ratio, the NPL ratio has increased, while the ROA ratio has decreased. The financial performance of conventional BPRs from 2015 to 2019 present at table 1.

Table 1. Recapitulation of BPR Financial Performance 2015-2019

Financial performance	Year				
	2015	2016	2017	2018	2019
LDR	77.81	76.24	75.36	76.54	79.09
NPLs	5.37	5.83	6.15	6.37	6.81
ROA	2.71	2.59	2.55	2.48	2.31

Source: OJK Statistics (Data processed)

From 2015 to 2019, BPR's financial performance from the LDR ratio developed fluctuatingly, the NPL ratio increased, while the ROA ratio decreased. This decrease in ROA occurred because banks were more careful in conducting business, including by creating more reserves for financial impairment losses (CKPN) in line with the increase in the NPL (Non Performing Loan) ratio.

The NPL ratio showed a significant increase from 2015 to 2019. The increase in the NPL ratio occurred in line with the slowdown in bank credit distribution. Increasing NPLs requires banks to grow conservatively and selectively in disbursing credit. Banks are required to be smart in looking for opportunities to look for financing options. Banks must also start improving their efficiency.

Table 2. Recapitulation of BPRS Financial Performance 2015-2019

Financial performance	Year				
	2015	2016	2017	2018	2019
ROA	2.20	2.27	2.55	1.87	2.61
NPF	8.20	8.63	9.68	9.30	7.05
BOPO	88.09	87.09	85.34	87.66	84.12

Source: OJK Statistics (Data processed)

The performance in the financial field for Sharia BPR from 2015 to 2019, in terms of ROA, NPF and BOPO ratios, appears to fluctuate. However, overall the financial performance of BPR Syariah has increased. This shows that the development of Sharia BPR in Indonesia is experiencing good progress.

Based on the objectives of Sharia and conventional BPRs which provide banking services and products for economically weak groups, conventional BPR and Sharia BPR are developing in all provinces and even spread to districts and sub-districts throughout Indonesia. The development of BPR in Central Java according to total third party funds, assets and NPL experienced a significant increase from 2015 to 2019. Meanwhile, the number of conventional BPRs in Central Java has fluctuated.

With the increase in deposits as the main source of bank funds, banks can place these funds into productive assets, namely credit (Sukmawati & Purbawangsa, 2016). The increase in total assets reflects the bank's ability to use investment (Widjaja, 2017). Meanwhile, the increase in NPL shows that BPRs in Central Java are bad at managing problem loans, because the number of bad loans is increasing (Harun, 2016). This indicates that BPR is in a problematic condition.

Along with the development of conventional BPR which is experiencing good development, Sharia BPR in Central Java is also showing good development. The development of Sharia BPRs based on Third Party Funds (DPK), assets and financing has increased from 2015 to 2019. Meanwhile, the number of Sharia BPRs has remained the same, namely 26 from 2015 to 2019.

The development of BPR which has entered the district area is demonstrated by one of the districts in Central Java, namely Banyumas Regency, which shows good development even though the progress is quite slow. Total BPR assets were recorded at IDR 1.151 trillion which grew by 5.18% which was lower than the previous year 2018, namely growth of 14.36% recorded at IDR 1.094 trillion. Third party funds (DPK) increased by 20.22% to IDR 1.027 trillion, an increase compared to the previous period which grew 15.22% with a DPK value of IDR 854 billion. However, BPR credit distribution experienced a decline from the previous period which was recorded at Rp. 831 billion, which decreased from the previous period, namely Rp. 935 billion or grew by 12.53%, slowing down from the previous year which grew by 13.96%.

In Banyumas Regency there are 9 conventional BPRs and 3 Sharia BPRs registered with the OJK. Conventional BPRs include BPR Artha Mekar Sokaraja, BPR BKK Purwokerto (Persoda), BPR Gunung Simping Artha, BPR Dana Mitra Sakti, BPR Tirta Danarta, BPR Eleska Artha, BPR Mitra Gema Mandiri, BPR Soka Panca Artha, BPR BD Taspen Jateng. Meanwhile, Sharia BPRs include BPRS Khasanah Ummat, BPRS Arta Leksana, and BPRS Bina Amanah Satria.

Of the 9 (nine) conventional BPRs and 3 (three) Sharia BPRs in Banyumas Regency, their financial performance will be analyzed using financial ratios. Financial performance is the result achieved by a company or organization from various aspects of activities carried out using available financial resources (Utami et al., 2023). BPR financial performance can be assessed by comparing each item contained in the financial report, for example the balance sheet report, the chas flow report, and income statement over a certain period of time.

Financial statement analysis consists of the calculation and interpretation of financial ratios. A review of financial ratios was utilized to describe the performance for an organization or a company to evaluate its financial position (Mahri et al., 2022).

Financial ratios are divided into five, namely liquidity ratios, activity, solvency, profitability, and investment ratios (Saputra et al., 2020; Lestari et al., 2023)

The problem that arises in the banking world that needs to be considered is how conventional banks and Sharia banks perform. Financial performance of a bank is an significant method to provide incentives and control to management. In addition, it is fundamental information for the stakeholder to obtain all information of bank achievements (Sun, 2011). The assessment for quality of assets aims to control and repair the bank asset condition in terms of income, financing and adequacy on risk management of credit (Elsa & Utami, 2015), and equity is used to manage bank incentives in evaluating a bank's performance.

One of bank performance parameters is efficiency. It is used as an indicator to measure the bank's success, how close the units produced are to the production possibility frontier, which consists of important points that optimally combine input to produce output (Abduh et al., 2013). Apart from measuring how many units are produced, efficiency measurements are widely used because they can answer problems in measuring banking performance (Almas, 2018).

The distinction in quality of assets between Sharia and conventional bank can be seen in the tendency of fund equity. Islamic banks provide strong incentive to adequately monitor and assess the risk of borrower and discipline. Research by Beck et al., (2013) suggests that the Sharia banks business models are not too contrast from the business models of conventional banks. However, Sharia banks have greater stability than conventional banks; are less efficient; and have higher asset quality.

According to Ibrahim (2015), who conducted research on both conventional and Sharia banks in Dubai, the liquidity level of Sharia banks in Dubai is lower than rival banks. Conventional banks are higher and accompanied also by a high level of stability. Analysis of management capacity ratio states that conventional banks manage lower expenditure levels than their competitors. Apart from that, its financial structure analysis is also stronger than that of competing banks.

Previous studies have produced inconsistent conclusions, including the following. The business orientation aspect of Islamic banks is not much different from the business orientation of conventional banks (Beck et al., 2013), while other studies find that the business orientation of Islamic banks is better than the business orientation of conventional banks (Boubakri et al., 2019). In addition, according to Beck et al. (2013), Sharia bank has a better stability compared to the conventional one, while Gamaginta & Rokhim (2009) state that in general, Sharia bank has a lower stability compared to the conventional one. Apart from that, there are no studies that review the variables of orientation of business, efficiency level, stability of finance, and quality of assets in conventional BPR and Sharia BPR in Banyumas Regency. Therefore, this paper investigates these variables specifically for BPR and BPRS in Banyumas Regency and compares the two in order to provide an evaluation for bank management and become the basis for customers' decision making to cooperate with these two types of banks.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

According to the Big Indonesian Dictionary, performance is something achieved, achievements achieved, and work ability. Financial performance is the result achieved by a company or organization from various aspects of activities carried out using available financial resources (Utami et al., 2023). Company performance is very important for the preferences of society, both stakeholders and bondholders, to carry out investments which are significantly decided from performances of the company. In valuing the performances of company, some indicators would be utilized from financial reports including the balance sheet which displays the financial position of the company, and the profit and loss report which displays the company's operational activities at a certain time (Zuhdi et al., 2013; Sarasyanti, 2018).

Efficiency is a measurement of effectiveness for minimizing skill, time, and energy (Archer, 2010). Meanwhile, according to Piliang (2009) efficiency is a performance parameter that underlies the overall performances of a company which refers to the philosophy "the capability to generate outputs using available inputs, is a measurement of performances expectation".

In the banking sector, measuring efficiency is an important issue. Efficiency was utilized as a measurement to indicate a bank's success by how many units are produced with its production possibilities frontier, which consists of important points that optimally combine inputs to produce one unit of output (Abduh et al., 2013). Apart from measuring how many units are produced, efficiency measurements are widely used because they can answer problems in measuring banking performance (Almas, 2018).

According to Novandra (2017), a bank is said to achieve efficiency if the management has a competency to manage with stable return to its scale, while efficiency could be obtained if the bank has an ability to manage in diversified products. Allocative efficiency could be obtained if the bank could able to decide various outputs that could maximize profits, while efficiency in technical term was the association of outputs generated with input used in the process of a production.

There are several different characteristics between conventional and Sharia banks in the stability of the bank's financial system. One of the fundamental differences in their operations is that the intermediation for conventional banks was generally refer to the loans and allows for a transfer of risk. Meanwhile, Sharia banks tend to focus on the "principle of profit sharing" (Hasan & Dridi, 2011 and Destiani et al., 2021). Apart from that, Islamic law also prohibits Sharia banking from carrying out transactions that are speculative in nature and do not have a clear basis.

Financing with profit-and-loss sharing rises the risk for a bank's balance sheet because the bank takes on the equity more than the loan. Additionally, financing contracts such as equity actually undermine bank stability when bank performance declines. Furthermore, the operational risk aspects of Sharia banks are higher than conventional banks, because Sharia banks originate from the complexity of Sharia principles. Sharia banks' restrictions on certain assets.

Asset quality analysis involves borrowers' considerations in repaying their loans (Jha, 2012). The asset quality managed by banks depends on profitability and health of borrower, bad loan, and certain risk (Baral, 2007). Bad quality of assets lower in liquidity level were the main factors cause for failure of a bank (Yuliastari et al., 2022; Olweny & Shipo, 2011; Haris et al., 2022).

Business Orientation. Banking business orientation is a product issued by the bank. The business orientation of Sharia bank implement a distinguish business orientation from the conventional one that is clearly visible from the balance sheet. The aspects considered from orientations of their business include the share of relative income from the interest and non interest; the important for relative fund of retail and wholesale; and loan to deposit (Beck et al., 2013). Equities such as investment deposit and saving can

raise incentive for depositors to control and monitor the banks. In a similar way, equity such as deposits may regulate banks' incentive to control and monitor the borrowers.
According to Aggarwal & Yousef (2000), the orientation of business for Sharia banks and conventional banks is different. Likewise, research of Safiullah & Shamsuddin (2018) states that conventional banks have a different business orientation because Sharia banks have higher liquidity. According to description above, the research hypothesis can be stated as follows:
H_1: There is difference in the business orientation of conventional BPR and Sharia BPR.
Efficiency. Sharia bank has a smaller efficiency rather than conventional one for several issues. Firstly, the implemetation of Islamic law that underlies Sharia banking activities, thereby increasing operational costs at Sharia banks. Secondly, Islamic bank tends to be smaller rather than the conventional one, and there is evidence that improvements in technical efficiency are influenced by bank size. Thirdly, foreign conventional bank has greater efficiency rather than Sharia bank (Isik & Hassan, 2002).
According to Beck et al., (2013) Sharia bank is less efficient compared by the conventional one. Similarly, study by Chaffai (2019) shows that there are differences in the efficiency technically related to the tyoe of banks, several evidences was related to the size of the bank. According to the description above, the second hypothesis of this paper is stated as follows:
H_2: There is difference in the efficiency of conventional BPR and Sharia BPR.
Financial Stability. Banks are also inseparable from the financial system stability. According to Beck et al., (2013) in particular, interest rate risk is known as a risk management tool for conventional banks, which is not found in Sharia banks. Furthermore, Sharia banks are considered more stable in financial system compared than the conventional one because Sharia banks might not participate in activity of risky trading. According to Gamaginta & Rokhim (2009) Sharia bank in Indonesia tends to have greater stability than the conventional bank.
The results of research conducted by Cihák (2007) produced three statements. First, for small size banks, the Sharia bank was more stable compared to the conventional one. Second, for large size banks, the conventional bank was more stable compared to the Sharia one. Third, for different size, smaller Sharia bank was more stable rather than the greater one. In addition, according to Beck et al. (2013), Sharia bank has a better stability compared to the conventional one. According to the description above, the hypothesis of this paper is expressed as follows:
H_3: There is a difference in the financial stability of conventional BPR and Sharia BPR.
Asset Quality. Asset quality was related to the risk of credit experienced by a bank because of providing the credit and investing the funds of bank in different portfolios (Elsa & Utami, 2015). The quality from the investing of funds on productive asset would be evaluated by investigating the collectibilty levels (Berniz et al., 2023). The distinction in levels of collectibility was utilized to decide the reserve in minimum level for determining the productive asset that the bank must provide to prevent the risk of loss (Haris et al., 2023).
Research by Beck et al. (2013) documents that Sharia bank has a greater quality of assets compared to the conventional one. In addition, research by Hasan & Dridi (2011) suggests that Sharia bank appears a greater in growth during the crisis in the

contexts of its asset and debt. According to the description above, the fourth hypothesis of this paper is expressed as follows:
H_4: There is a difference in the asset quality of conventional BPR and Sharia BPR.

RESEARCH METHODS

The analytical method in this research uses a comparative method which compares the financial performances for conventional BPRs and Sharia BPRs. Secondary data used in this research is OJK statistical data obtained from www.ojk.go.id.
The population in this study is conventional BPRs and Sharia BPRs in Banyumas Regency with a total of 9 conventional BPRs and 3 Sharia BPRs. This research uses a purposive sampling technique with the aim of obtaining a representative sample according to the specified criteria. The criteria used to select research samples are as follows:

1. Conventional BPR and Sharia BPR in Banyumas Regency registered with the Financial Services Authority (FSA) in the 2015-2019 period.
2. Publish financial reports for the 2015-2019 period.
3. Provides information needed for research.

To compare the business orientation of conventional BPRs and Sharia BPRs, this research uses an indicator that is often used by the OJK, namely Loans to Deposit Ratio (LDR). Furthermore, in comparing business orientation, also consider the importance of the LDR percentage which is calculated by the amount of loans given divided by the amount of third party funds.
To determine the level of efficiency for conventional BPRs and Sharia BPRs, this research uses the overhead cost indicator (BOPO) that is computed from total operational costs divided by total income (Beck et al., 2013). To generate the level of stability of conventional BPRs and Sharia BPRs, this research uses the return on asset (ROA) indicator that is computed from the comparison between current year's profit after tax and total assets. The asset quality of conventional BPRs and Sharia BPRs in this study was measured using the non-performing loans (NPL) indicator. It is a comparison of bad credit with total credit (Kazumi et al., 2015; Nahdi et al., 2013).
In this research, the analysis technique used is the difference between two means test (independent sample T-test), this test aims to decide the difference in means of 2 (two) independent populations or groups of data. Before the difference test is carried out, the analysis carried out first is a normality test.

RESULTS AND ANALYSIS

Descriptive statistics. The variables worked in this paper are financial performance which consists of LDR, BOPO, ROA and NPL. This calculation uses the entire sample of conventional BPRs and Sharia BPRs using quarterly financial reports. The results of descriptive statistical calculations present at table 3.

Table 3. Descriptive Statistics of Conventional BPR and Sharia BPR

Variable	N	Minimum	Maximum	Average	Std. Deviation
Conventional BPR					
LDR	125	40.48	1672.73	133.16	145.20
BOPO	125	39.24	161.37	87.81	26.98

Variable	N	Minimum	Maximum	Average	Std. Deviation
			Conventional BPR		
ROA	125	-20.09	3.42	0.21	2.84
NPLs	125	0.18	15.36	3.11	2.41
			Sharia BPR		
LDR	60	49.09	150.95	94.96	32.85
BOPO	60	31.47	111.45	45.68	13.24
ROA	60	-1.70	2.95	1.01	1.03
NPLs	60	2.15	8.92	4.89	1.64

Source: Data processed

The LDR for conventional BPR shows the highest value of 1672.73, while the lowest value is 40.48, and the average value is 133.1647. Meanwhile, the LDR for Sharia BPR shows the highest value of 150.95, the lowest value is 49.09, and the value in average is 94.9575. In accordance to Bank Indonesia provisions for NPL between 85-100%, conventional BPRs have an LDR >100% which can be said to mean that conventional BPR LDRs are over liquid. Meanwhile, Sharia BPR has an LDR that is still in the range of 85-100%, which means that Sharia BPR is liquid.

The BOPO for conventional BPR shows the highest value of 161.37, while the lowest value is 39.24, and the average value is 87.8066. Meanwhile, the BOPO for Sharia BPR shows the highest value of 111.45, the lowest value is 31.47, and the average value is 45.6825. This shows that the bank operates efficiently, in accordance to Bank Indonesia regulations, namely BOPO < 90%.

The ROA for conventional BPR shows the highest value of 3.42, while the lowest value is -20.09, and the average value is 0.2126. Meanwhile, the ROA for Sharia BPR ROA shows the highest value of 2.95, while the lowest value is -1.70, and the average value is 1.0118. This shows that conventional BPR and Sharia BPR have a low rate of profit return in accordance with Bank Indonesia regulations for ROA > 1.5%.

The NPL for conventional BPR shows the highest value of 15.36, while the lowest value is 0.18, and the average value is 3.1102. Meanwhile, the NPL for Sharia BPR shows the highest value of 8.92, while the lowest value is 2.15, and the average value is 4.89. This shows that the NPL of conventional BPR and Sharia BPR can be said to be substandard, because it is close to the maximum limit for NPL according to regulation from Bank Indonesia, namely a maximum of 5%.

Data Normality Test. The result for normality test shows that the data is not normally distributed (Asymp sig < 0.05). Suliyanto (2011:81) explains that there are several ways that can be done to overcome the normality problem, namely: eliminating outlier data, adding sample data, transforming data, and/or using alternative methods.

Based on this, the researchers used the random elimination method. This method uses a trial and error elimination method to get the maximum estimate. According to Rousseeuw & Hubert (2011), non-normal distribution may occur due to random reasons or perhaps scientific reasons. This resulted in the data analyzed being 185 observations, namely 125 conventional BPR observations and 60 Sharia BPR observations). In addition, researchers used the chi square method to test normality.

Based on this method, data could be decided normally distributed when the chi square value < chi square table or Asymp. Sig > 0.05. The results of this method show that the chi square value < chi square table (p = 0.05 and df = 181) is 213.3906 or Asymp. Sig (1,000) > 0.05.

Table 4. Independent Sample T-Test

	Test of Levene		t-test			
	F Count	Significance	Q	Df	Signif 2-tailed	Means Difference
LDR	1,616	0.205	2,011	183	0.046	38.20722
			2,797	148.31	0.006	38.20722
BOPO	31,658	0	11,443	183	0	42.12414
			14,247	182.88	0	42.12414
ROA	4,805	0.03	-2,111	183	0.036	-0.79919
			-2,787	173.7	0.006	-0.79919
NPLs	1,979	0.161	-5,183	183	0	-1.78493
			-5,912	162.39	0	-1.78493

Levene's Test. This test functions to show whether there are variations in the data processed (homogeneous/heterogeneous) in conventional BPR and Sharia BPR. If the sig value of Levene's test is < 0.05 then the data being processed is not the same or heterogeneous so that the equality t test value used is Equal Variance not Assumed. However, if the Levene's test sig value is > 0.05 then the data being processed has the same or homogeneous variance so that the equality ttest value used is Equal Variance Assumed.

Table 5. Significant T-Test Analysis

Variable	Levene's Test	Homogeneous/ Heterogeneous	T-Test (<0.05)	Conclusion
LDR	0.205	Homogeneous	0.046	Significant
BOPO	0	Heterogeneous	0	Significant
ROA	0.03	Heterogeneous	0.006	Significant
NPLs	0.161	Homogeneous	0	Significant

Business Orientation. Based on the result of the analysis, it shows that there is a difference of 38.20722 in the LDR ratio, where conventional BPRs have a larger LDR than Sharia BPRs. Therefore, there is a significant difference in business orientation between the two groups and we decide that H1 is accepted.
Efficiency. Based on the results of the analysis, it shows that there is a difference in the BOPO ratio of 42.12414, where conventional BPRs have a greater BOPO than Sharia BPRs. Therefore, there is a significant difference in efficiency between the two banks and we decide that H2 is accepted.
Financial Stability. The result of the analysis indicates that the ROA ratio is different by 0.79919 where Sharia BPR has a greater ROA than conventional BPR. This shows the difference in financial stability of conventional BPRs and Sharia BPRs, so it can be concluded that H3 is accepted because there are differences between the two groups.
Asset Quality. The result of the analysis indicates that there is a difference in the NPL ratio of 1.78493, where Sharia BPR has a greater NPL than conventional BPR, so it

can be concluded that H4 is accepted because there are differences between the two groups.

Discussion. Based on the description in the previous section, there are differences in the ratios of financial performances for LDR, BOPO, ROA and NPL. Bank Indonesia has provisions for assessing whether a bank's financial performance is in good or bad condition. Bank Indonesia regulations have an important role for banks in knowing the level of financial performance of a bank. Table 6 shows Bank Indonesia's provisions for LDR, BOPO, ROA and NPL ratios:

Table 6. Bank Indonesia provisions

Variable	Bank	BI provisions	Average
LDR	Conventional BPR	85-100%	133.1647
	Sharia BPR		94.9575
BOPO	Conventional BPR	< 90%	87.8066
	Sharia BPR		45.6825
ROA	Conventional BPR	> 1.5%	0.2126
	Sharia BPR		1.0118
NPLs	Conventional BPR	< 5%	3.1102
	Sharia BPR		4.8952

In measuring financial performance based on the business orientation aspect which is measured by the LDR ratio, it is stated that there is difference in the business orientation of conventional BPRs and Sharia BPRs. Conventional BPR LDR is higher than Sharia BPR. Based on Bank Indonesia regulations, conventional BPRs that have an LDR >100% are classified as over liquid. Meanwhile, BPR Syariah has an LDR that is still in the range of 85-100%, which means that BPR Syariah is liquid.

In measuring financial performance based on the efficiency aspect as measured by the BOPO ratio, it is stated that there is a difference in the efficiency level for conventional BPR and Sharia BPR. Sharia BPR BOPO is lower than conventional BPR. Based on Bank Indonesia regulations, conventional BPRs and Sharia BPRs have BOPO <90%, indicating that conventional BPRs and Sharia BPRs are efficient in managing their operational expenses.

In measuring financial performance based on the financial stability aspect as measured by the ROA ratio, it is stated that there is difference in the financial stability for conventional BPRs and Sharia BPRs. Sharia BPR ROA is higher than conventional BPR. Based on Bank Indonesia regulations, the ROA of conventional BPRs and Sharia BPRs is <1.5%.

In measuring financial performance based on the asset quality aspect which is measured by the NPL ratio, it is stated that there are differences in the asset quality of conventional BPRs and Sharia BPRs. Conventional BPR NPL is lower than Sharia BPR. Based on Bank Indonesia regulations, the NPL of conventional BPR and Sharia BPR is <5%.

Based on the test above using the difference test between two means (Independent Sample T-Test), there are differences in the orientation of business, the efficiency level, the financial stability, and the quality of asset. Business orientation is measured using the LDR ratio, efficiency is measured using the BOPO ratio, financial stability is measured using the ROA ratio, and asset quality is measured using the NPL ratio.

The results from the analysis consisting of the difference between the two average aspects of business orientation show a difference in LDR of 38.20722, where the LDR of conventional BPRs is greater than that of Sharia BPRs. The expected significance value for this variable is significant at 0.05 (0.046 < 0.05). Therefore, we could conclude that the hypothesis proposed in this research H1 is accepted. This shows that there are differences in business orientation between conventional BPR and Sharia BPR.

This research is the same as research conducted by Safiullah & Shamsuddin (2018) and research by Aggarwal & Yousef (2000) which states that there is difference in orientation of business between conventional bank and the Sharia one. According to Agustina & Budiman (2011), the greater the LDR, the more liquid a bank is. Conversely, the smaller the LDR, the more illiquid a bank is.

The results of the two differences test analysis mean efficiency aspect, there is a difference in BOPO of 42.12414, where the BOPO of conventional BPRs is greater than that of Sharia BPRs. The expected significance value for this variable is significant at 0.05 (0 < 0.05). Therefore, we could conclude that the hypothesis proposed in this research H2 is accepted. This shows that there is a difference in efficiency between conventional BPR and Sharia BPR.

The result of this research is in accordance with research by Beck et al. (2013) and Elsa & Utami (2015) which proves that there is differences in the efficiency level between conventional bank and the Sharia one. The BOPO or efficiency ratio was employed to measure the ability of bank management to manage operational costs against operational income. It means that the lower the BOPO, the more efficient the bank is in operating its business activity. Conversely, the higher the BOPO, the more inefficient the bank is (Raharjo et al., 2014 and Juliana et al., 2022).

The result of the analysis for the difference test between the two average aspects of financial stability show a difference in ROA of 0.799, where the ROA of Sharia BPR is greater than that of conventional BPR. The expected significance value for this variable is significant at 0.05 (0.006 < 0.05). Therefore, we can conclude that the hypothesis proposed in this research H3 is accepted. This shows that there is a significant difference in financial stability between conventional BPR and Sharia BPR.

The finding of this study was the same as conclusions by Beck et al. (2013) and Gamaginta & Rokhim (2009) which state that there is a significant difference in the financial stability between conventional bank and the Sharia one. The ROA has an important role for banks to indicate the operation effectiveness of a company in creating earnings by processing the asset. According to Lukitasari & Kartika (2015), the higher the ROA, the higher the performance of financial company.

The result of the analysis for the difference test between the two averages for the quality of asset show a difference in NPL of 1.78493, where the NPL of Sharia BPR is greater than that of conventional BPR. The expected significance value for this variable is significant at 0.05 (0 < 0.05). Therefore, we can conclude that the hypothesis proposed in this research H4 is accepted. This shows that there is a significant difference in asset quality between conventional BPR and Sharia BPR.

The finding of this study was similar to conclusions by Beck et al. (2013) and Debora et al. (2015) which state that there is a significant difference in the asset quality between conventional bank and the Sharia one. According to Harun (2016), NPL is a ratio that shows the capability of bank management to arrange its debt. Hence, the greater the NPL of a bank, the lower the quality of credit managed by the bank, causing the number of default debt would increase.

The implications of this research are as follows. First, if investors want to invest their capital, they must carefully consider the results of measuring the performance of conventional BPRs and Sharia BPRs. Conventional BPRs have low BOPO and NPL. This shows that conventional BPR has a good level of efficiency and has low credit risk. Meanwhile, BPR Syariah has an LDR in accordance with Bank Indonesia regulations in the range of 85-100%, has low BOPO and NPL. This shows that Sharia BPR has liquid conditions, good efficiency and low credit risk. As well as considering, the risks faced in addition to calculating the level of short-term returns and future returns.
Second, conventional BPRs and Sharia BPRs are expected to improve and maintain their financial performance. For the business orientation aspect, conventional BPR is expected to be able to reduce the LDR rate so that it does not become over liquid. From the aspect of efficiency, conventional BPR and Sharia BPR are classified as efficient. From the stability aspect, it is hoped that conventional BPR and Sharia BPR will be able to increase the rate of ROA so that the rate of return on profits is high. From the aspect of asset quality, conventional BPRs and Sharia BPRs are classified as substandard because they are close to the maximum limit of NPL provisions, so it is hoped that conventional BPRs and Sharia BPRs will be able to improve the management of problem loans well.

CONCLUSION

According to the result and discussion at previous sections, we could formulate the conclusions as follows:

1. In measuring financial performance based on the business orientation aspect which is measured by the LDR ratio. It is stated that there are differences in the orientation of business for conventional BPRs and Sharia BPRs. Conventional BPR LDR is higher than Sharia BPR. Based on Bank Indonesia regulations, conventional BPRs that have LDR more than 100% are classified as over liquid. Meanwhile, BPR Syariah has an LDR that is still in the range of 85-100%, which means that BPR Syariah is liquid.
2. In measuring financial performance based on the efficiency aspect as measured by the BOPO ratio. It is stated that there is a difference in the level of efficiency for conventional BPR and Sharia BPR. Conventional BPR BOPO is higher than Sharia BPR. Based on Bank Indonesia regulations, conventional BPRs and Sharia BPRs have BOPO less than 90%, indicating that conventional BPRs and Sharia BPRs are efficient in managing their operational expenses.
3. In measuring financial performance based on the financial stability aspect as measured by the ROA ratio. It is stated that there are differences in the stability of financial for conventional BPRs and Sharia BPRs. The ROA of conventional BPRs is lower than Sharia BPRs. Based on Bank Indonesia regulations, ROA for conventional BPRs and Sharia BPRs is less than 1.5%.
4. In measuring financial performance based on the asset quality aspect which is measured by the NPL ratio. It is stated that there are differences in the asset quality of conventional BPRs and Sharia BPRs. Conventional BPR NPL is lower than Sharia BPR. Based on Bank Indonesia regulations, the NPL of conventional BPR and Sharia BPR is less than 5%.

As an implication resulting from this research, investors should pay attention to the financial performance of these two types of banks. By considering business orientation, efficiency, and financial stability aspects, investors should allocate their capital to BPR Syariah. On the other hand, by considering asset quality aspect, investors should allocate their capital to conventional BPR. For bank management, conventional BPR should reduce the LDR so that the business orientation aspect becomes better. Furthermore, conventional BPR and Sharia BPR should increase the ROA value so that their financial stability becomes better. Both types of banks should also reduce the NPL value so that the quality of their assets becomes better.

REFERENCES

Abduh, M., Hasan, S. M., & Pananjung, A. G. (2013). Efficiency and Performance of Islamic Banks in Bangladesh: Evidence from the Efficiency and Performance of Islamic Banks in Bangladesh. *Journal of Islamic Banking and Finance. 27*. 94–106.

Aggarwal, R. K., & Yousef, T. (2000). Islamic Banks and Investment Financing. *Journal of Money, Credit and Banking. 32*(1). 93. https://doi.org/10.2307/2601094

Agustina, Y., & Budiman, H. (2011). Analisis Performa Keuangan BPR Konvensional (Studi Kasus BPR di Jawa dan Sumatra). *Jurnal Akuntansi dan Keuangan*. *16*(1). 73–83.

Almas, B. (2018). Perbandingan Efisiensi BPR Konvensional Dan BPR Syariah Provinsi Jawa Timur Dengan Pendekatan Non-Parametrik. *IQTISHADIA: Jurnal Ekonomi & Perbankan Syariah*, *5*(2). 188. https://doi.org/10.19105/iqtishadia.v5i2.1929

Archer, T. S. (2010). *The Efficiency Theory: Improving society by eliminating wasteful programs, restructuring the economy, and fixing education.* CreateSpace Independent Publishing Platform.

Baral, K. J. (2007). Health Check-up of Commercial Banks in the Framework of CAMEL: A Case Study of Joint Venture Banks in Nepal. *Journal of Nepalese Business Studies*. *2*(1). 41–55. https://doi.org/10.3126/jnbs.v2i1.55

Beck, T., Demirgüç-Kunt, A., & Merrouche, O. (2013). Islamic vs. conventional banking: Business model, efficiency and stability. *Journal of Banking and Finance*. *37*(2).433–447. https://doi.org/10.1016/j.jbankfin.2012.09.016

Berniz, Y. M., Najmudin, N., Jayanti, E., Rahmawati, I. Y., & Utami, Y. (2023). The Influence of Third-party Funds; Asset Quality, Profit, and Lost Sharing to The Islamic Bank Liquidity in Indonesia. *International Journal of Science, Technology & Management. 4*(4). 1023-1033. DOI: https://doi.org/10.46729/ijstm.v4i4.876

Chaffai, M. (2019). Hyperbolic distance function, technical efficiency and stability to shocks: A comparison between Islamic banks and conventional banks in MENA region. *Global Finance Journal*. 100485. https://doi.org/10.1016/j.gfj.2019.100485

Cihák, M. (2007). Introduction to Applied Stress Testing. *IMF Working Papers*.*07*(59). 1. https://doi.org/10.5089/9781451866230.001

Debora, N., Saerang, I., & Untu, V. (2015). Analisis Perbandingan Kinerja Keuangan dengan Menggunakan Metode CAMEL pada PT Bank Jateng dan PT Bank DKI. *Jurnal EMBA. 3*(1). 1117-1128.

Destiani, N. A., Juliana, J., & Cakhyaneu, A. (2021). Islamicity Performance Index dalam Meningkatkan Profitabilitas Bank Syariah Indonesia. *Coopetition: Jurnal Ilmiah Manajemen, 12*(3). 301-312. https://doi.org/10.32670/coopetition.v12i3.554.

Elsa, E., & Utami, W. (2015). Studi Komparasi Efisiensi, Kualitas Aset dan Stabilitas Pada Bank Umum Syariah dan Bank Umum Konvensional Di Indonesia Periode 2010-2014. *Jurnal*

Ilmu Ekonomi dan Sosial. *4*(1). 104–114.

Gamaginta, & Rokhim, R. (2009). The Stability Comparison between Islamic Banks and Conventional Banks: Evidence in Indonesia. *8th International Conference on Islamic Economics and Finance*. 1–29.

Haris, A., Ghozali, I., & Najmudin, N. (2022). Indicators of financial distress condition in Indonesian banking industry. *Accounting. 8*(1). 27-36. DOI: 10.5267/j.ac.2021.6.009

Haris, A., Ghozali, I., & Najmudin, N. (2023). The Role of Profit Management as an Intervening Variable in Mediating the Effect of Credit Risk on Financial Distress. *Review of Economics and Finance. 21*. 1240-1246. https://refpress.org/ref-vol21-a137/

Harun, U. (2016). Pengaruh Ratio-Ratio Keuangan CAR, LDR, NIM, BOPO, NPL Terhadap ROA. *Jurnal Riset Bisnis dan Manajemen. 4*(01). 67-82.

Hasan, M., & Dridi, J. (2011). The Effects of the Global Crisis on Islamic and Conventional Banks: a Comparative Study. *Journal of International Commerce, Economics and Policy. 02*(02). 163-200.

Ibrahim, M. (2015). International Journal of Economics and Financial Issues A Comparative Study of Financial Performance between Conventional and Islamic Banking in United Arab Emirates. *International Journal of Economics and Financial Issues*. *5*(4). 868–874. http:%5Cnwww.econjournals.com

Isik, I., & Hassan, M. K. (2002). Technical, scale and allocative efficiencies of Turkish banking industry. *Journal of Banking and Finance*. *26*(4). 719–766. https://doi.org/10.1016/S0378-4266(01)00167-4

Jha, S. (2012). A comparison of financial performance of commercial banks: A case study of Nepal. *African Journal of Business Management*. *6*(25). 7601–7611. https://doi.org/10.5897/ajbm11.3073

Juliana, J., Febrianti, R., Al-adawiyah, R. A., Marlina, R., & Hamdani, D. (2022). Analisis Determinan Pembiayaan Bermasalah Pada Bank Umum Syariah Di Asia Tenggara. *Ekspansi: Jurnal Ekonomi, Keuangan, Perbankan dan Akuntansi, 14*(1). 209–223. https://10.35313/ekspansi.v14i1.3672

Kazumi, T. H., Lestari, S., & Najmudin, N. (2015). Analisis Pengaruh Likuiditas, Efisiensi Operasional, NPL, NIM dan DER terhadap Profitabilitas Bank Perkreditan Rakyat yang Terdaftar di OJK. *Journal & Proceeding FEB Universitas Jenderal Soedirman, 5*(1). 1-15.

Lestari, S., Ghozali, I., & Najmudin, N. (2023). Examining the Causality of Capital towards Liquidity Creation by Involving the Contribution of Effective Managerial Ability. *Financial and Credit Activity Problems of Theory and Practice. 4*(51). 21-31. DOI: 10.55643/fcaptp.4.51.2023.4106

Lukita,Y. & Kartika, A. (2015). Analisis Pengaruh Dana Pihak Ketiga, BOPO, CAR, LDR dan NPL Terhadap Kinerja Keuangan Pada Sektor Perbankan Yang Terdaftar Di Bursa Efek Indonesia. *Students' Journal of Accounting and Banking*. *4*(1). 28–39.

Mahri, A. J. W., Juliana, J., Utami S. A., & Astuti, W. (2022). Islamic Social Reporting Disclosure on Manufacturing Companies in the Jakarta Islamic Index and Bursa Malaysia 2016-2020. *The International Journal of Business Review (The Jobs Review), 5*(1). 125-144.

Muhari, S., & Hosen, M. N. (2014). *Tingkat Efisiensi BPRS di Indonesia: Perbandingan Metode SFA dengan DEA dan Hubungannya dengan CAMEL. Jurnal Keuangan dan Perbankan. 18*(2), 307–328.

Nahdi, H. M., Jaryono, & Najmudin. (2013). Pengaruh Current Ratio, Debt to Total Asset Ratio, Total Asset Turnover (TATO), Beban Operasional Pendapatan operasional (BOPO), dan Dana Pihak Ketiga (DPK) Terhadap Profitabilitas Bank Umum Syariah. *Performance. 17*(1). 75-84. http://jp.feb.unsoed.ac.id/index.php/Performance/article/viewFile/80/85

Novandra, R. (2017). Analisis Perbandingan Efisiensi Perbankan Syariah. *Jurnal Ekonomi dan Pembangunan*. 183-193.

Olson, D., & Zoubi, T. A. (2008). Using accounting ratios to distinguish between Islamic and conventional banks in the GCC region. *International Journal of Accounting*. *43*(1). 45–65. https://doi.org/10.1016/j.intacc.2008.01.003

Olweny, T., & Shipo, T. (2011). Effects of banking sectrol factors on the profitability of commercial banks in Kenya. *Economic Financial. 1*(5).1-30.

Piliang, E. E. (2009). Kinerja Efisiensi Teknis Bank Pembangunan Daerah: Pendekatan Data Envelopment Analysis (DEA). *Jurnal Akuntansi Dan Keuangan*. *11*(1). 21–29. https://doi.org/10.9744/jak.11.1.pp.21-29

Raharjo, D. P., Setiaji, B., & Syamsudin. (2014). Pengaruh CAR, LDR, NPL, BOPO, dan NIM Terhadap Kinerja Keuangan Bank Umum di Indonesia. *Jurnal Ekonomi Manajemen Sumber Daya.15*(2). 7-12.

Rochmah, S., & Abdullah, N. (2011). A Comparative Study of Financial Performance Of Islamic Banks And Conventional Banks In Indonesia. *International Journal Of Business And Social Science*. *2*(15). 199–208.

Rousseeuw, P. J., & Leroy, A. M. (1987). *Robust Regression and Outlier Detection.* New York: John Wiley & Sons.

Safiullah, M., & Shamsuddin, A. (2018). Risk in Islamic banking and corporate governance. *Pacific Basin Finance Journal*. *47*. 129–149. https://doi.org/10.1016/j.pacfin.2017.12.008.

Saputra, A. A., Najmudin, N., & Shaferi, I. (2020). The Effect of Credit Risk, Liquidity Risk and Capital Adequacy on Bank Stability. *Sustainable Competitive Advantage (SCA). 10*(1). 153-162. http://jp.feb.unsoed.ac.id/index.php/sca-1/article/viewFile/1905/1780

Sarasyanti, N. (2018). Perbandingan Kinerja Keuangan BPRS dan BPR Konvensional di Surabaya. *Jurnal Ekonomi Syariah Teori dan Terapan. 5*(4). 290-304.

Sukmawati, N. E., & Purbawangsa, I. A. (2016). Pengaruh Pertumbuhan Dana Pihak Ketiga, Pertumbuhan Kredit, Risiko Kredit, Likuiditas, dan Kondisi Ekonomi Terhadap Profitabilitas. *E-Jurnal Manajemen Universitas Udayana, 5*(9). 248723.

Suliyanto. (2011). *Ekonometrika Terapan: Teori dan Aplikasi dengan SPSS.* Yogyakarta: CV Andi Offset.

Sun, C. (2011). Assessing Taiwan financial holdings companies performance using window analysis and Malmquist producitivity index. *Business Management. 5*(28). 10508-10523.

Utami, Y., Najmudin, N., Jati, D. P., Jayanti, E., Rahmawati, E. Y., & Berniz, Y. M. (2023). The Impact of Financial Internal Factors on the Performance of Indonesia Rural Banks: Evidence In Central Java. *Economics and Finance. 11*(2). 89-102. https://economics-and-finance.com/files/archive/EF_2023_2.pdf#page=89

Widjaja, I. (2017). Dampak Peningkatan Asset, Profitabilitas dan Likuiditas Terhadap Leverage Perusahaan. *Jurnal Akuntansi. 18*(3). 459–474. https://doi.org/10.24912/ja.v18i3.276

Yuliastari, M., Najmudin. N., & Dewi, M. K. (2022). The Influence of Financial Ratios and

Macroeconomic Indicators in Predicting Financial Distress (Empirical Study in the Consumer Goods Sector Companies). *Sustainable Competitive Advantage (SCA). 11*(1). 207-217. http://jp.feb.unsoed.ac.id/index.php/sca-1/article/viewFile/2790/1858

Zuhdi, A. R., Adawiyah, W. A., & Najmudin, N. (2013). Analisis Portofolio Kredit Perbankan Umum dan Syariah Berdasarkan Sektor Ekonomi. *Jurnal Ekonomi dan Bisnis. 12*(1). 1-10. http://dx.doi.org/10.31941/jebi.v12i2.180