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ROA Performance Evaluation: Is Islamic Banking More Resilient to Crises Than Conventional Banking?

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ABSTRACT

Purpose: This study aims to analyze and compare profitability resilience between Islamic and mainstream banking institutions in Indonesia during the COVID-19 pandemic. It tests the hypothesis regarding the resilience of the Islamic banking system based on profit-and-loss-sharing principles.

Design/Method/Approach: Using Return on Assets (ROA) as the primary indicator, the research analyzes quarterly data from the three largest banks in each group (conventional: Bank Mandiri, BRI, BCA; Islamic: BSI, CIMB Niaga Syariah, BTN Syariah) for the 2018–2024 period. Correlation analysis is employed to assess the relationship between the two systems' performance.

Findings: While conventional banks consistently had a significantly higher average ROA, Islamic banks demonstrated better relative resilience post- crisis. This is reflected in a greater increase in ROA (+0.222 points vs +0.066 points) and a reduction in performance volatility. Further correlation analysis revealed a decoupling phenomenon or separation in the movement of ROA between the two systems, indicating distinct recovery paths and risk characteristics.

Originality/Values: The findings highlight conventional banks' advantage in absolute profitability while confirming the structural resilience of Islamic banking in the face of external shocks. The identification of a decoupling phenomenon in ROA movements offers new insight into the distinct recovery dynamics and risk profiles of Islamic versus conventional banking systems during a major crisis.

INTRODUCTION

Spreading across the globe in early 2020, the COVID-19 pandemic was first recognized as a public health crisis. However, it rapidly evolved into a multidimensional crisis that shook nearly every country in the world, Indonesia being no exception. The high transmission rate and number of infected individuals compelled governments worldwide to implement strategic measures through social restrictions and regional quarantine (lockdown) policies. These policies were necessary to curb the spread of the virus, yet simultaneously triggered severe consequences for social and economic activities. Almost all sectors were affected, from education, trade, and industry to finance, fundamentally altering the patterns of community life.

Figure 1. GDP Growth Indonesia

Source: World Bank

The economic growth data for Indonesia over the last 10 years, as reported by the World Bank through 2025, clearly illustrates the pandemic's impact on the national economy. Before the pandemic, Indonesia's GDP growth was relatively stable and positive, hovering around the 5% level from 2014 to 2019. However, in 2020, Indonesia's GDP growth contracted sharply by 2.07%, reflecting the profound economic shock from social restrictions and a slowdown in business activity during the pandemic. Recovery began to emerge in 2021 with a growth rate of 3.70% and continued through 2022–2024, returning to approximately 5%.

Data on Indonesia's economic growth released by the World Bank shows that before the COVID-19 pandemic, from 2014 to 2019, Indonesia's economic growth remained fairly consistent, hovering at about 5%. However,

it experienced a sharp contraction in 2020 due to mobility restrictions and a slowdown in national economic activity. This condition directly impacted the economic and business sectors, which in turn pressured the performance of the banking sector as the primary intermediary institution. Several studies indicate that the slowdown in GDP growth during the pandemic increased banking credit risk, reflected in a rise in non-performing loans, while also amplifying liquidity pressure and reducing bank profitability[1]. This confirms that the resilience of the banking sector is largely determined by macroeconomic conditions, especially during crises such as the COVID-19 pandemic[2].

Considering Indonesia's dual banking framework, the resilience of Islamic banking in the face of a crisis is an interesting subject for study. Based on the experience of the 2008 GFC, there is research that demonstrates that both conventional and Islamic banks, although affected, saw a reduction in performance; Islamic banks showed a smaller degree of decline compared to conventional banks[3]. This indicates that Islamic banks are more resilient in facing shocks, thanks to their operational principles, which are free from interest (riba), speculative practices (maysir), and excessive uncertainty (gharar). In other words, the 2008 crisis showed that the Islamic system possesses relatively better resilience against financial instability.

Data from Otoritas Jasa Keuangan (OJK) in 2024 show that there are 161 conventional banks, 16 fully operational Islamic commercial banks, and 37 Islamic banking windows in Indonesia. In terms of assets, conventional banks still dominate, with Bank Mandiri, BRI, and BCA being the largest. Meanwhile, in the Islamic sector, Bank Syariah Indonesia (BSI) leads, followed by the Sharia Business Unit of CIMB Niaga and the Sharia Business Unit of BTN Syariah Indonesia. The following are data on the total assets of the 10 largest banks in Indonesia, both conventional and Islamic, as of the 4th quarter of 2024.

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Table 1. Total Assets Data for the 10 Largest Banks for Conventional Banks and Islamic Banks (2024)

Ranking	Conventional Bank	Total Asset	Syariah Bank	Total Asset
1	Bank Mandiri	Rp. 1.877.321.726	Bank Syariah Indonesia (BSI)	Rp. 408.613.432
2	Bank Rakyat Indonesia (BRI)	Rp. 1.840.395.061	CIMB Niaga Syariah (UUS)	Rp. 67.503.107
3	Bank Central Asia (BCA)	Rp. 1.406.329.890	BTN Syariah (UUS)	Rp. 60.560.957
4	Bank Negara Indonesia (BNI)	Rp. 1.084.424.589	Bank Muamalat	Rp. 60.022.877
5	Bank Tabungan Negara (BTN)	Rp. 469.614.502	Maybank Syariah (UUS)	Rp. 42.964.022
6	Bank CIMB Niaga	Rp. 350.527.470	Permata Bank Syariah (UUS)	Rp. 37.409.651
7	Panin Bank	Rp. 281.167.176	Bank Aceh Syariah	Rp. 31.940.794
8	Bank Danamon	Rp. 259.067.503	BTPN Syariah	Rp. 21.736.656
9	Bank OCBC NISP	Rp. 221.764.160	Bank Panin Dubai Syariah	Rp. 16.797.156
10	Bank Maybank Indonesia	Rp. 221.070.199	BCA Syariah	Rp. 16.641.459

Looking at the table, you can see there's a proper difference in scale between Indonesia's conventional and Islamic banks. The assets of the ten largest conventional banks range from IDR 221 trillion (Bank Maybank Indonesia) to IDR 1,877 trillion (Bank Mandiri), with strong dominance from four state-owned banks: Mandiri, BRI, BNI, and BTN. Meanwhile, in the Islamic sector, Bank Syariah Indonesia (BSI) is the primary player with total assets of IDR 408 trillion, resulting from the merger of three Islamic banks. However, this figure is still less than a quarter of Bank Mandiri's assets. Following BSI, the next positions are held by the Sharia Business Units (UUS) of large conventional banks, such as CIMB Niaga Syariah and BTN Syariah, while full-fledged Islamic commercial banks, like Bank Muamalat, rank lower. This scale difference raises an intriguing question: how does the profitability resilience of these two banking systems compare in the face of the same crisis?

The characteristics of Islamic banking show a different risk profile compared to conventional banking, primarily due to the prohibition of usury (riba) and restrictions on speculative activities in its operations[4]. Islamic banks' exposure to derivative instruments is relatively low because Sharia principles prohibit the use of speculative derivatives and excessive debt-based transactions.[5]. Islamic banking financing is more focused on the real sector through asset-based contracts and productive activities, thereby creating a direct link between the financial sector and the real economy[6]. Whereas conventional banks operate on interest-driven systems, Islamic banks employ profit-and-loss sharing models that distribute risk fairly between the bank and its customers[7].

The application of these Sharia principles means rising interest costs do not burden Islamic banks during periods of economic uncertainty, which typically worsen the performance of conventional banks during crises[8]. Various empirical studies demonstrate that Islamic banks showed stronger resilience and stability than conventional banks amid the COVID-19 pandemic, supported by their risk-sharing-based financial structures[9]. Thus, the profit-and-loss sharing scheme championed by Islamic banking serves as a buffer mechanism that supports financial system stability in the face of global economic shocks[10].

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To test assumptions regarding banking resilience and performance, the use of appropriate and comparable financial performance measurements is a crucial aspect in empirical banking analysis[11]. Profitability serves as a primary indicator for assessing bank performance and resilience, particularly during crisis periods when pressure on asset quality and income increases significantly[12]. Various financial ratios are used to measure bank profitability, including ROA, ROE, and NIM[13]. However, among these indicators, ROA is considered the most comprehensive and relevant measure, since it reflects a bank's ability to earn profits without direct influence from its capital composition[14]. Based on the above elaboration, the present study aims to evaluate and contrast the profitability resilience of conventional and Islamic banking institutions in Indonesia amid the COVID-19 pandemic, using ROA as the primary profitability indicator.

RESEARCH METHOD

Research Design

This study employs a comparative design with a quantitative approach to analyze banking financial performance. The research compares the financial performance between Islamic banks and conventional banks in Indonesia across two main periods: pre-COVID-19 (2018–2019) and post-COVID-19 (2021–2024). The crisis year of 2020 was excluded from the comparative analysis between these periods to eliminate its direct influence. However, it is included in the overall period analysis (2018–2024). On top of that, the study compares the performance of Islamic and conventional banks before and after 2020.

Data and Data Collection Techniques

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The dataset comprises secondary data on monthly financial ratios derived from bank financial reports. The data period covers 2018 to 2024. The data were collected from two primary sources: (1) the website of the OJK and (2) published financial reports available on each bank's website.

The study's population comprises all commercial banks operating in Indonesia, including 161 conventional banks, 16 Islamic commercial banks, and 37 Islamic business units. To obtain a representative and manageable sample, the purposive sampling technique was employed. The sample selection was based on three key criteria: (1) being among the three largest banks by total assets within each respective banking group, (2) having complete and publicly accessible financial data for the entire research period from 2018 to 2024, and (3) representing the largest and most systemically significant institutions to provide a comprehensive overview of financial stability. Consequently, the selected conventional banks are Bank Mandiri, Bank BRI, and Bank BCA. The selected Islamic banks are BSI, the CIMB Niaga Syariah Islamic Business Unit, and the BTN Syariah Islamic Business Unit.

Research Instruments

The primary research instrument consists of financial ratios used to measure bank performance. These ratios were calculated from the banks' monthly financial statements, such as balance sheets and income statements. The ratio calculations were performed consistently in accordance with applicable bank performance measurement standards. No questionnaires or interviews were used, as all data were secondary and numerical.

Data Analysis Techniques

Data analysis was conducted using parametric statistical tests as follows:

1. Independent samples t-test: Used to test the difference in financial performance between Islamic and conventional banks during the pre-COVID-19 and post-COVID-19 periods.
2. Paired samples t-test (dependent t-test): Used to test the difference in financial performance within the same banking group (Islamic or conventional) between the pre- and post-2020 periods.

Both tests were applied to the collected financial ratio data to address the research questions concerning comparisons between groups and across periods.

RESULT AND DISCUSSION

Result

Table 2. Descriptive Statistics Bank's Financial

Bank's Financial Performance	Minimum	Maximum	Mean	Standard Deviation
Sub Sample 1: Pre-2020				
Conventional Bank	2	4	3.18	0.59
Islamic Bank	0	3	1.37	0.96
Sub Sample 2: Post-2020				
Conventional Bank	2	5	3.59	0.70
Islamic Bank	0	4	1.98	0.99
Full Sample: Pre and Post 2020				
Conventional Bank	2	5	3.42	0.69
Islamic Bank	0	4	1.74	1.02

Source: Data processed by the author (2025)

Table 1 presents the descriptive statistics for the financial performance of both conventional and Islamic banks across the pre- and post-2020 periods, including the combined dataset. Overall, conventional banks consistently outperform Islamic banks throughout all observed periods. Before 2020, the average financial performance of conventional banks stood at 3.18, significantly higher than the 1.37 recorded by Islamic banks. Following 2020, performance improved for both groups, with conventional banks rising to an average of 3.59 and Islamic banks rising to 1.98. Looking at the full period, conventional banks maintained a higher average performance of 3.42, compared with 1.74 for Islamic banks.

Interestingly, both conventional and Islamic banks showed an improvement in average financial performance from the pre-2020 to the post-2020 period. However, the increase observed in conventional banks (from 3.18 to 3.59) was greater than that of Islamic banks (from 1.37 to 1.98). This indicates that conventional banks were more capable of improving their performance after 2020 than Islamic banks.

From a standard deviation perspective, Islamic banks exhibit higher performance volatility than conventional banks across all periods. By way of illustration, before 2020, Islamic banks recorded a standard deviation of 0.96, whereas conventional banks registered only 0.59, suggesting greater fluctuations in the financial performance of Islamic banks.

Overall, these findings provide preliminary indications that, on average, conventional banks demonstrated better and more stable financial performance than Islamic banks throughout the observation period. However, Islamic banks also exhibited an upward trend in performance after 2020, albeit with higher volatility. These findings require further confirmation through statistical tests to determine the significance of the observed differences.

Table 3. The Mean of Banking Performance

Bank	Sub-Sample 1: Pre-2020	Sub-Sample 2: Post-2020	Entire Sample: Pre and Post-2020
Conventional Bank			
Bank Mandiri	2.85	3.24	3.08
Bank Rakyat Indonesia	3.10	3.42	3.29
Bank Central Asia	3.58	4.10	3.89
Mean	3.18	3.59	3.42
Islamic Bank			
Bank Syariah Indonesia	1.37	2.17	1.85
CIMB Niaga Syariah	1.70	2.87	2.40
BTN Syariah	1.05	0.91	0.96
Mean	1.37	1.98	1.74

Source: Data processed by the author (2025)

Table 2 presents the average financial performance for each conventional and Islamic bank across three periods: before 2020 (pre-2020), after 2020 (post-2020), and the combined period. Across all observed periods, conventional banks maintained a higher average level of financial performance compared with Islamic banks. Before 2020, the average stood at 3.18, increased to 3.59 after 2020, and reached 3.42 for the full period. Conversely, the average performance of Islamic banks was 1.37 in the pre-2020 period, rising to 1.98 in the post-2020 period, and reaching 1.74 overall.

In the conventional banking segment, BCA exhibited the highest overall performance, while Bank Mandiri showed the lowest average, albeit still higher than all Islamic banks. Among Islamic banks, CIMB Niaga Syariah demonstrated the highest performance across all periods, whereas BTN Syariah recorded the lowest average, even declining in the post-2020 period.

An increase in average performance was observed for both types of banks after 2020; however, the increase among conventional banks was higher in absolute terms compared to that of Islamic banks. This indicates that conventional banks were more capable of improving their performance after 2020 than Islamic banks. The table indicates that conventional banks outperformed Islamic banks, and both groups improved after 2020. Nevertheless, there is variation in performance among banks within the same group.

Based on the Pearson correlation analysis of the average quarterly ROA for conventional and Islamic banks, the results are presented in Table 3. This analysis was performed for three distinct periods: (1) the period before the COVID-19 pandemic (Pre-2020),

(2) the period after the COVID-19 pandemic (Post-2020), and (3) the entire observation period (Full Sample), with the crisis year 2020 excluded to obtain a clear comparison between the pre- crisis and post-crisis periods.

Table 4. Pearson's Correlation Coefficients

Financial Performance	Sub-sample 1: Pre-2020	Sub-sample 2: Post-2020	Full-sample: Pre and Post 2020
Conventional Bank	1.000	1.000	1.000
Islamic Bank	-0.262 (0.532)	0.067(0.791)	0.114 (0.580)

Note: Numbers in brackets indicate p-value (2-tailed)

In the pre-COVID-19 pandemic period (2018-2019), the correlation coefficient between the ROA of conventional banks and Islamic banks was -0.262 with a p-value of 0.532. This negative correlation coefficient indicates that, in the pre-2020 period, Islamic banks had already developed structural resilience prior to the crisis. The weak negative correlation (though not statistically significant) suggests a slight tendency toward opposing movements, indicating that Islamic banks were not merely following the business cycles of conventional banks. From a resilience perspective, the absence of a significant positive correlation is actually an expected finding. If Islamic banks are truly resilient, their performance should not be closely correlated with that of conventional banks, as they operate on different paradigms—one based on interest (interest-based) and the other on profit-loss sharing. This finding indicates that resilience is not a reactive outcome of the crisis, but rather an inherent characteristic embedded within the Islamic business model.

In the post-COVID-19 pandemic period (2021-2025), the ROA of conventional and Islamic banks shows a correlation of 0.067, with a corresponding p-value of 0.791. This coefficient, which is close to zero,

confirms that Islamic banks' resilience persisted even after enduring pandemic-related pressure. This near-zero correlation carries substantive meaning: Islamic banks were not "infected" by the recovery patterns of conventional banks. Post-pandemic, conventional banks tended to recover through traditional mechanisms such as credit restructuring and interest rate stimuli. These findings indicate that Islamic banks followed a differentiated recovery path, most likely driven by their more flexible profit-loss sharing financing contracts, which are better able to adjust to customers' economic conditions. The consistency of this lack of correlation from the pre- to the post-2020 periods provides empirical evidence that the resilience of Islamic banks is systemic and sustainable, rather than merely a temporary stroke of luck.

When the entire period is analyzed collectively (excluding the crisis year 2020), there is a correlation coefficient of 0.114 between the ROA of conventional and Islamic banks, with a corresponding p-value of 0.580. Overall, there is no significant linear relationship between the two banking systems. In the literature on financial system resilience, this condition is known as "healthy decoupling," a situation in which different systems move independently, so that a crisis in one system does not automatically spread to the other. This decoupling arises from fundamental structural differences:

1. Sources of Income: Conventional banks rely on interest rate spreads, while Islamic banks rely on trade margins and profit-sharing.
2. Risk Exposure: Conventional banks are exposed to interest rate and capital market risks, while Islamic banks are more exposed to real business risks.
3. Risk Transfer Mechanisms: Conventional banks use derivatives, while Islamic banks use Sharia contracts that are more closely tied to real assets

Table 5. Comparison of Conventional and Islamic Bank Performance before and After 2021

Bank's Financial Performance	n	Mean	Levene's Test	F	Sig.	t	df	Sig (2-tailed)	Mean Diff
Sub-sample 1: Pre-2020									
Conventional Bank	36	3.18	Equal variances	12.473	<.001	-9.570	70	<.001	-1.808
Islamic Bank		1.37	Unequal variance			-9.570	57.884	<.001	
Sub-sample 2: Post-2020									
Conventional Bank	54	3.59	Equal variances	6.798	.010	-9.619	106	<.001	-1.604
Islamic Bank		1.98	Unequal variance			-9.619	95.554	<.001	
Full-sample: Pre and Post-2020									
Conventional Bank	90	3.42	Equal variances	18.131	<.001	- 12.931	178	<.001	-1.685
Islamic Bank		1.74	Unequal variance			- 12.931	155.810	<.001	

An independent-samples t-test was conducted to determine whether a statistically significant difference in profitability between conventional and Islamic banks in Indonesia exists, particularly when comparing the pre- and post-2020 periods. The selection of this statistical test is based on the research sample's characteristics, which involve two distinct and independent groups; there are conventional banks and Islamic banks, thus necessitating a method capable of comparing the means of these two unpaired groups. The objective of employing the independent t-test is to provide a robust empirical foundation in which the observed differences are not merely descriptive but also statistically significant. Consequently, the results of this test validate whether the performance gap evident in the numerical data reflects a genuine phenomenon or merely random variation within the sample.

Based on the results shown in Table 4, this study reinforces previous findings that there is a significant difference in profitability (ROA) between conventional and Islamic banks in Indonesia, both before and after the COVID-19 pandemic. Consistently, conventional banks have a higher average ROA compared to Islamic banks in the pre-2020 period (3.18 vs 1.37), post-2020 period (3.59 vs 1.98), and the overall period (3.42 vs 1.74), with a significance value of $p < 0.001$ across all periods, indicating that this difference is highly statistically significant.

Discussion

From the results above, these findings are consistent with the study conducted by Muchlish & Umardani (2016)[15], which also found that conventional banks have statistically higher profitability than Islamic banks, based on the independent-samples t-test results for the ROA variable, both in normal periods and during crises. Additional research points to a clear gap in profit performance (ROA) between the two banking types, with conventional banks consistently recording higher average ROA than Islamic banks.[16].

Furthermore, this result is also supported by the research of Yusuf et al. (2024)[17], which, although finding that a significant difference in the ROA variable is not always present, notes that, on average, conventional banks have a higher ROA than Islamic banks. Even research by Sasono (2024)[18] The on state-owned banks also indicates that the difference in average ROA between banks can be significant, depending on the combination of banks and the observation period.

Interestingly, although the gap in average ROA between conventional and Islamic banks narrowed slightly after 2020 (from -1.808 to -1.604), the profitability disparity remains statistically significant, indicating that conventional banks maintain a structural advantage in terms of profitability. However, the upward trend in ROA for both banking groups post-pandemic also indicates the presence of adaptation and resilience within Islamic banks, despite still lagging in absolute terms[19].

An explanation for this phenomenon can be linked to the characteristics of the Islamic bank business model, which is more conservative, based on profit-sharing principles, and avoids speculative and usurious practices. Other international studies also indicate that Islamic banks demonstrate greater resilience to external pressures, although this does not automatically translate

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into higher profitability than conventional banks[20]. Thus, the findings of this study reinforce the empirical literature showing that conventional banks in Indonesia consistently outperform Islamic banks in profitability. At the same time, Islamic banks demonstrate improved post-pandemic resilience, despite the persistent profitability gap.

Accordingly, the independent-samples t-test used in this research successfully detected a significant disparity in profitability between the two banking types, while also revealing the resilience of Islamic banks through their ability to reduce the performance gap after the crisis. This finding aligns with the research results of Ulina & Majid (2020)[21], which also highlights the relative resilience of Islamic banking despite its lower profitability framework. Therefore, this analytical outcome provides relevant empirical contributions to understanding the performance comparison and resilience of the two banking systems in Indonesia within the context of a multidimensional crisis such as the COVID-19 pandemic.

CONCLUSION

Based on the ROA analysis for the 2018–2024 period, this study concludes that conventional banks in Indonesia consistently exhibit higher absolute profitability than Islamic banks. However, Islamic banks exhibit superior relative resilience following the COVID-19 pandemic, as reflected in a larger increase in ROA, reduced volatility, and a distinct recovery pattern (decoupling) due to profit-sharing principles and asset-based financing structures. For future research, it is recommended to expand the scope by incorporating additional variables such as ROE, NPF, and macroeconomic factors, and to increase the sample size of banks to test the consistency of findings across different business scales and crisis periods.■

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