Content Lists Available at Directory of Open Access Journals (DOAJ)
Al-Falah: Journal of Islamic Economics
Journal Homepage: http://www.journal.iaincurup.ac.id/index.php/alfalah
DOI: https://dx.doi.org/10.29240/alfalah.v8i2.8250

Unlocking Opportunities for Shariah Business Units: A Prospectus for Post-2023 Dynamics

Aditya Pratama[1*]
[1]*Universitas Jambi, Indonesia*
*Corresponding Author. E-mail: *adityapratama@unja.ac.id*

ARTICLE INFO

Article History:
Received: 2023-08-19
Revised: 2023-09-20
Accepted: 2023-11-12

Keywords:
Shariah,
Business,
Unit,
Spinoff.

Paper Type:
Research Paper

ABSTRACT

Purpose: The Paper aim to explore what possibilities Shariah Business Units could hold the mandate of Law Islamic Banking

Design/Method/Approach: This study uses a descriptive analysis. It intensively Implemented a qualitative approach to obtain information and collected the data needed through relevant literatures and studies.

Findings: This paper provide several recommendations such as a direct spinoff for the five SBU with the largest assets, combining BUS with an existing Islamic Bank, combining several SBU and then spinoff, and finally converting Conventional Bank which has SBU to become an Islamic Bank.

Originality/Values: This study's originality lies in its comprehensive analysis of the strategic implications and potential outcomes for Shariah Business Units (SBU) within conventional banks, considering a specific legal timeframe, multiple transition scenarios, and practical recommendations for stakeholders in the evolving landscape of Islamic banking.

INTRODUCTION

The establishment of a Sharia Business Unit by a Conventional Bank is a form of implementation of the Window Banking model in Indonesia. Window banking is an attempt by commercial banks to penetrate the market by presenting banking and financial services to customers who cannot be served by existing conventional banks, such as colliding by rules and principles embraced by customers. From a regulatory perspective, Law no. 21 of 2008 concerning Islamic Banking is the main legal basis for the operational management of Islamic Banking. Article 68 of that Law states the provisions governing the separation of Sharia Business Units owned by conventional banks in Indonesia, either voluntarily by limiting the provisions on the total value of SBU assets which have reached 50 percent of the total assets of the parent company or by coercive provisions through restrictions fifteen years since the enactment of the Law, namely 2023. This is one of the Government's efforts to encourage the development of Islamic banking to compete in national banking independently. In the intended article, the Government provides options for Conventional Banks that own SBU to be able to carry out a spin-off process for these entities.

However, several obstacles need to be faced, for instance, during a global pandemic outbreak; several adjustments need to be made. Islamic banks optimize the digitization of services, both financing and fundraising. Focus on low-cost funds and conduct temporary credit relaxation and restructuring for debtors who are experiencing financial hardships due to the pandemic whereas the government and regulators adjusting the benchmark interest rate and issuing relaxation and restructuring rules to prevent a bigger impact and encourage economic recovery [1]. Meaning that bank industry is still in recovering phase. Coupled with poor customer literacy regarding Islamic banks' operation although Islamic banks have run their business for over three decades. This is reinforced by Ratnasari [2] who compare the knowledge of Muslim customers regarding the Islamic bank windows and a full-fledged Islamic bank and examines their preferences for these two options. The results assert that Muslim customers do not have perfect knowledge about the variety of Islamic banks. This paper also clarifies that the underlying rationales for Muslim customers to choose full-pledged or Islamic bank windows are different. For those who choose full-fledged Islamic banks, shariah compliance becomes the most fundamental reason. In contrast, Muslim customers who prefer Islamic bank windows consider services as their primary rationale.

---

[1] Aditya Pratama, Warsiyah Warsiyah, and Dwi Nastiti, "Islamic Commercial Bank Business Strategy During Global Pandemic Outbreak," *International Journal of Economics, Business and Accounting Research (IJEBAR)* 6, no. 2 (2022): 901, https://doi.org/10.29040/ijebar.v6i2.5386.

[2] Ratnasari et al. (2021)

Moreover, several studies have mentioned the spinoff process of SBU such as Hamid[3], found that spinoff policy have a significant influence on profitability. There was strong evidence that the stability of full-fledged Islamic banks was weaker than Islamic windows. SBU had better stability. This empirical result could be because SBU is still directly supported by their parent company while full-fledged Islamic banks independent in any aspect. Considering that the Islamic banking industry, including Indonesia, is highly competitive, enjoying becoming Islamic windows could be a safe option to remain in the market and maintain stability[4].

The impact most felt by the spin-off policy is the strengthening of the capital. The fundamental challenge to SBU's unpreparedness in implementing the spin-off policy was the possibility of the SBU being closed. This concern has been proven by the closing of 74 Danamon Syariah Branch Offices in the first semester of 2017. Spin-offs must be carefully prepared, especially in terms of strong capital and human resources, though spin-offs have great potential to encourage the development of Islamic banking as well as its parent companies[5].

SBU business model (Diversification Strategy) produces more efficient and effective Islamic bank financial performance as results of research from Ghalba and Wandebori [6] that dual banking provides space for Islamic banks to run their business efficiently, using the office channeling scheme as practiced by CIMB Niaga with Dual Banking Leverage Model (DBLM) strategy[7]. Information Technology directly affects with Diversification Strategy but does not affect to the Spin off Readiness[8]. Therefore, this paper aims to explore what possibilities SBU could hold the mandate of Law Islamic Banking.

LITERATURE REVIEW

Islamic Bank

Banking has a prominent strategic role, one of which is as an intermediary institution for the flow of funds from the government to the public or vice versa. In addition, banking has the function of maintaining the resilience and sustainability of the business world (real sector) while at the same time

---

[3] Hamid (2015)

[4] Hasan & Risfandy (2021)

[5] Rysaldi and Santoso (2022)

[6] (2013)

[7] Arivatu Ni'mati Rahmatika, "Dual Banking System Di Indonesia," *At-Tahdzib: Jurnal Studi Islam Dan Muamalah* 2, no. 2 (2014): 133–47.

[8] Muhammad Amin, Agus Rahayu, and Lili Adi Wibowo, "Readiness of Conventional Commercial Banks in Indonesia to Face Spin Off," *International Journal of Mechanical Engineering* 7, no. 5 (2022): 974–5823.

maintaining the stability of the financial sector which is a determinant in avoiding a crisis. One way is through this restructuring policy (Credit and Financing) which guides the business world as well as assists the financial sector.

Conventional banks gain deposits from savers and investors, paying interest on some of these accounts as their investments yield returns. On the other hand, they lend these collected funds to borrowers, to receive interest on them. In this way, banks create a profit from the spread between the rate that they pay to depositors and the rate that they obtain from borrowers. This capability of banks to consolidate deposits from many sources that can be lent to many diverse borrowers materializes the flow of funds characteristic of the banking system. By arranging this flow of funds, i.e., acting as intermediaries between providers and users of funds, banks generate value for society [9].

Islamic banks shift the focus from lending to investment, shift the emphasis on the proficiency to repay to the soundness of the project, shift the dependence on borrowing for the mobilization of resources into the partners' coordination in resource mobilization, and alter the application only of financial criteria into the moral standards in investment.

To help establish Islamic banks in various countries, the Islamic Development Bank (IDB) established a research and training institute for research development for the development of research and training in Islamic economics, both in banking and finance in general. This institution is known as the Islamic Research and Training Institute (IRTI). Concisely, we can draw the conclusion that universally the development of Islamic banks so far adheres to the first two patterns, specifically for Islamic countries such as the Middle East, the pattern of establishment of Islamic banks tends to be pure Islamic banks, meaning that all products provided by a bank is based on sharia only and no one is based on existing provisions in conventional banks.[10]

The Islamic banking industry sector offers great growth prospects for Islamic banks in several countries with large Muslim populations. Islamic financial transaction activities can help many countries attract investment from wealthy countries in the Gulf and Southeast Asia region[11]. The Islamic banking

---

[9] Cheng Fah and Abbas Hassani, "A Study of Islamic and Conventional Banks in Malaysia," *Journal of King Abdulaziz University-Islamic Economics* 27, no. 1 (2014): 73–99.

[10] Choiriyah Choiriyah, Saprida Saprida, and Emilia Sari, "Development of Sharia Banking System In Indonesia," *Mizan: Journal of Islamic Law* 5, no. 1 (2021): 17, https://doi.org/10.32507/mizan.v5i1.923.

[11] Mohamed Bechir Chenguel, Abdelkader Derbali, and Meriem Jouiro, "Installing Islamic Banking Windows in Conventional Bank: Effects on Performance," *International Journal of Financial Engineering* 06, no. 04 (2019): 1950033, https://doi.org/10.1142/s2424786319500336.

industry is currently a global phenomenon because more and more countries want to implement an Islamic banking system in their countries. There are two approaches that can be used by a country to implement Islamic banking in its territory, namely the system of Islamic business units and Islamic banking subsidiaries.[12]

Islamic Banks in Indonesia became known in 1992 along with the establishment of Bank Muamalat Indonesia (BMI). BMI practically walked alone without similar competitors until 1998 when Indonesia was hit by a monetary crisis. The closure of 16 conventional banks[13] resulted in a decrease in public confidence in the Indonesian banking system, while BMI was relatively stable. This phenomenon prompted the government to conceive the potential and prospects of Islamic banking which then established Bank Syariah Mandiri as a subsidiary of Bank Mandiri. Currently, there are 13 Islamic Banks (IB) with total assets of more than 492 trillion and 20 Conventional Banks that have Sharia Business Units (SBU) with total assets of 234 trillion[14].

Shariah Business Unit (SBU)

In the banking industry, SBU is nothing new. This system was first introduced by a neighboring country, Malaysia in 2010, better known as Islamic windows. Islamic windows are not only used by banks but also pawnshops, insurance, and other conventional financial institutions to provide financial services with sharia principles. It is a system commonly used by countries that adhere to a dual banking system. For the record, there are only two countries that use the Islamic banking system 100%, namely Iran and Sudan.

The sharia business unit is a unit under conventional bank,[15] its business activity reports and portfolios are included in the conventional parent's main financial report. Conventional banks must form committees containing Sharia Supervisory Board to determine the products' suitability offered with Islamic provisions, and it must periodically be reported[16].

---

12 Sutan EmirHidayat, et. al., "Islamic Banking Windows Vs Islamic Banking Subsidiary: Educators' Opinion In Bahrain," *International Journal of Pedagogical Innovations* 4, no. 2 (2016): 99–102, https://doi.org/10.12785/ijpi/040201.

13 Mubyarto, "Mengatasi Krisis Moneter Melalui Penguatan Ekonomi Rakyat," *Jurnal Ekonomi Dan Bisnis Indonesia* 16, no. 2 (2001): 98.

14 OJK, "Statistik Perbankan Syariah - Agustus 2022," *Ojk*, 2022, 1–116.

15 M. Kabir Hassan et al., "Islamic Microfinance: A Bibliometric Review," *Global Finance Journal* 49, no. October 2020 (2021): 100651, https://doi.org/10.1016/j.gfj.2021.100651.

16 Mariani Abdul-Majid, David S. Saal, and Giuliana Battisti, "The Impact of Islamic Banking on the Cost Efficiency and Productivity Change of Malaysian Commercial Banks," *Applied Economics* 43, no. 16 (2011): 2033–54, https://doi.org/10.1080/00036840902984381.

The Islamic window banks began when the Central Bank of Malaysia or Bank Negara Malaysia (BNM) introduced the "Interest-Free Banking Scheme" in 1993, which allows conventional banks to offer Islamic banking products to customers[17]. The purpose and benefit of having a SBU in a conventional bank are to provide a sharia microfinance unit that is easier and more responsive to the community's necessities. The appearance of this microfinance is expected to be more flexible and acceptable for communities, thus espousing the micro sector in economic strengthening[18]. Santoso[19] argued that by using Analytical Network Process (ANP) approach a spinoff is the best alternative method to establish an Islamic bank.

Spinoff

Spin-off or separation as one part of corporate restructuring is the act of the parent company in the separation of businesses that have a similar motivation as the establishment of a subsidiary. This separation will alter the formation of group companies or the control incidence of one company to another. One company acts as a holding company overseeing one or more other companies of juridical separation[20]. Historically, the spin-offs phenomenon gained notoriety in the 80s, mainly due to the frequency of this practice in the United States Silicon Valley region. US semiconductor industry is the most obvious example of the creating of new businesses through spin-offs. In many cases, the spin-off itself generated others companies in a continuous process [21]

Spin-offs can alleviate the management issues of both parent companies and subsidiaries (spinoff results) since the two companies often have disparate interests. Parent companies typically have huge operations that are unable to provide the management, finances, and resources needed by subsidiaries to continue their business growth, as they focus more on core enterprise needs. Therefore, with spin-off, management, finance, and limited resource in the

---

17 K Aik, N, Tan, "A Study of Cost and Profit Efficiency of the Full-Fledged Islamic Banks and Islamic Windows in Malaysia," *SEGi Review* 5, no. 1 (2012): 41–46, https://www.semanticscholar.org/paper/COST-AND-PROFIT-EFFICIENCY-OF-THE-FULL-FLEDGED-AND-Aik-Tan/1dad8cd7e57873dd8e6bb724c86a9cdba1e8a50c.

18 Bedjo Santoso and Khaliq Ahmad, "Islamic Microfinance Branchless Banking Model in Indonesia," *Intellectual Discourse* 24 (2016): 409–33.

19 Rizqullah (2013)

20 Sulistiowati, "Keterkaitan Induk Perusahaan Dalam Konstruksi Perusahaan Kelompok Dan Implikasi Kepada Pihak Ketiga Di Indonesia" (Universitas Gadjah Mada, 2009).

21 Luis Felipe Maldaner and Flávia Siqueira Fiorin, "An Analysis Framework Of Corporate Spin-Off Creation Focused On Parent Company: A Case Study Of A Traditional Industrial Company From The State Of Rio Grande Do Sul, South Of Brazil," *Revista Base (Administração e Contabilidade) Da UNISINOS* 15, no. 1 (2018): 56–78, https://www.redalyc.org/articulo.oa?id=337258164006.

subsidiary companies can be supervised and able to make their own decisions. The parent company can concentrate on its core business and be unburdened by the spin-off company since the two ventures are juridical segregate. [22]

RESEARCH METHOD

This study uses a qualitative approach, a research and understanding process based on a methodology that investigates a social phenomenon and human problem. In this approach, the researcher creates a complex picture, examines words, reports detailed views of the respondents, and conducts studies in natural situations[23]. The data analysis technique in this study uses descriptive analysis, namely to provide an explanation that makes it easier for researchers to explain the results of data analysis and discussion. This procedure will be used to organize, summarize, and present the data in a better format to be used as a foundation for decision-making and literature study, according to [24] it is a research that exerts types and sources of secondary data mainly from the third Quarter of Financial Report 2022 of each Shariah Business Unit and previous studies related to Shariah Business Unit spinoff to develop a theoretical framework for research. Moreover, this paper tries to explore what possibilities SBU could hold the mandate of Law Islamic Banking.

RESULT AND DISCUSSION

The provisions of the Sharia Banking Law concerning SBU spin-offs for Conventional Banks are limited in time, namely 15 years from the enactment of the Sharia Banking Law or until 2023 or when the assets of SBU have reached at least 50% of the total assets of the parent bank. However, if we look at the financial position until September 2022, not a single SBU controls 50% of the Parent Bank's assets. SBU Maybank Indonesia recorded the largest percentage, which only reached 25% (see table below). For this reason, real efforts are needed, both from SBU and the parent company as well as Government support so that the spinoff process can run smoothly without violating the provisions of the current Sharia Banking Law.

---

[22] Tisnawan Hilman, "Spin-Off, Konstruksi Hukum Dalam Upaya Penguatan Struktur Perbankan Nasional," *Bank Indonesia* (Jakarta, 2009).

[23] John W Creswell, *Research Design: Qualitative and Quantitative Approaches* (London: Sage Publications, 2009).

[24] Sugiyono (2017)

Table 1. The Financial Position

No	Bank	Asset SBU*	Asset Paren Bank*	Gross Npf
1	CIMB Niaga	59.463	301.824	1,32 %
2	Maybank	39.666	154.483	2,99 %
3	BTN	41.286	389.291	3,61 %
4	Permata	31.604	220.454	1.39 %
5	Danamon	9.367	189.212	2.53%
6	Sinarmas	6.945	53.384	0.28%
7	BPD DKI	8.794	75.241	1,11 %
8	BPD Jateng	4.559	84.786	6,01 %
9	OCBC NISP	6.884	220.445	2 %
10	BPD Sumsel Babel	3.991	34,225	4.32%
11	BPD Jatim	2.790	98.477	2.96%
12	BPD Sumut	3.300	40.626	8,18%
13	BPD Nagari	2.970	29.880	1,57 %
14	BPD Kaltimtara	2.859	34.767	0,87 %
15	BPD Kalsel	2.695	18.523	2,44 %
16	Bank Jago	2.482	15.832	4.21%
17	BPD Sulselbar	1.850	21.199	0,31 %
18	BPD Kalbar	1.876	23.237	0,11 %
19	BPD DIY	1.800	16.866	1,09 %
20	BPD Jambi	1.673	13.836	0,11 %

*In Billion Rupiah
Source; The Third Quarter 2022 Financial Report of each bank

Based on POJK No 29 of 2020 there are at least two main technical factors that deserve attention, first is the maximum gross NPF ratio of 5%, and second, core capital for the establishment of Islamic bank resulting from separation which becomes a subsidiary company of at least IDR. 1 Trillion or IDR. 3 Trillion for those that become holding companies. The table above explains the first factor is not the main problem because only two SBU (SBU BPD North Sumatra and SBU BPD Central Java) have not fulfilled these requirements. The second factor, namely the paid-up capital, is thought to be the determinant of the spinoff because the required nominal is not a small number. Furthermore, we suggest several recommendations on what possibilities Shariah Business Unit could hold to mandate the current Islamic Banking Law

Spin-offs

In terms of assets, SBU from CIMB Niaga, Maybank Indonesia, BTN, Permata, and Danamon are the five largest SBU in Indonesia. In fact, SBU

CIMB Niaga has relatively the same total assets as the second largest Islamic bank (BMI), namely IDR. 59 Trillion. SBU assets from Maybank, BTN, and Permata Bank are still larger than the third largest Islamic bank, Bank Aceh Syariah, which is IDR. 29 Trillion. It means that in terms of assets, those SBU are more than sufficient to separate itself from the parent bank. The slow spinoff process may be due to Bank BUKU regulations from the Financial Services Authority (OJK) which limit bank operations based on core capital. This means that if the parent bank allocates its core capital to its SBU as the amount determined by the authorities, it is possible for the parent bank to leave the BUKU Bank category it is currently in.

Nevertheless, in 2021, the OJK issued OJK Regulation (POJK) Number 12/POJK.03/2021 concerning Commercial Banks. In this regulation, OJK imposes a new classification on banks based on their core capital into Bank Groups based on Core Capital (KBMI). Previously, this classification was known as Commercial Banks by Business Group (BUKU). This change will make business activities in banks no longer limited by capital. Take, for example, a BUKU 1 class bank with its core capital is considered insufficient to make business activities or certain bank products. OJK does not require banks to adjust their core capital according to the KBMI even though the core capital in the latest classification is larger.

Their 3rd quarter financial position 2022 revealed the five main banks have entered the KBMI 3 ranks with a core capital category of IDR. 14-70 Trillion. If only injecting this capital of 1-3 trillion to their SBU will not shift their position in KBMI. This means that there are no other options left except for a direct spinoff in 2023.

Merge SBU with Current Islamic Bank

The next option that can be explored is to merge the sharia business units with the existing Islamic banks. Currently, there are 13 Islamic Banks that can be selected with details of the status of subsidiaries of State-Owned Enterprises, namely Bank Syariah Indonesia (BSI) and Bank Tabungan Pensin Negara Syariah (BTPNS), then Regional Development Banks such as BPD Aceh Syariah, BPD NTB Syariah, BPD Jabar Banten Syariah, and National Private Banks, Mega Syariah, Victoria Syariah, Bukopin Syariah, Bank Muamalat Indonesia, BCA Syariah, Aladin Syariah, Panin Dubai Syariah. Merging SBU with Islamic banks will also minimize one of the major problems of the spinoff, namely the minimum capital adequacy that must be deposited.

From a geographical perspective, SBU BPD DKI can be combined with BJB Syariah which has been operating mainly in West Java and Banten. BJP Syariah was also a SBU of Bank Jabar Banten commercial bank which has previously spin-off in 2010. The merging of the two banks will generate a total asset of IDR. 19.9 trillion (Asset position in September 2022). This encourages market expansion and strengthens the network of Islamic banks in the western part of Java.

Another option is to combine SBU BTN with existing state-owned Islamic bank. Then the choice will be narrowed to BSI or BTPN Syariah. If it merges with BSI, it will strengthen BSI's position as the largest Islamic bank in Indonesia. Nationally, this status certainly encourages BSI to compete with conventional banks which have been established far earlier. On the other hand, this will also leave competing Islamic bank and have the potential to monopolize the Islamic banking industry.

BSI itself has controlled 56% market share of Islamic commercial banks and 38% of total Islamic banking. Therefore, to preserve the business competition map, SBU BTN would be more appropriate if it was combined with BTPN Syariah. The increasingly competitive banking industry will deliver the best service for consumers. BTPN Syariah itself was originally a SBU from BTPN conventional which began operating in 2008 and then successfully spinoff in 2014. The joining of SBU BTN and BTPN Syariah will generate total assets IDR. 61,860 Trillion (September 2022).

Merging Multiple SBU

The next option is to merge several existing SBU to reach 50 percent of the total assets of its parent Conventional Bank. This can be done for SBU owned by Regional Government Banks (BPD). Coupled with the geographical proximity element, it supports the service integration process. The existence of the Regional Development Bank Association (ASBANDA) and Regional Banking Consultative Association (BMPD) which oversees Regional Government Banks throughout Indonesia is an added value in facilitating the communication and service integration process.

Merger among SBU BPD North Sumatra, SBU BPD West Sumatra (Bank Nagari), SBU BPD Jambi, and SBU BPD South Sumatra and Bangka Belitung to become a Sumatran Island Islamic Bank which is expected to reach total assets of IDR 11.9 trillion (asset position September 2022). This figure represents 86.5% of the total assets of BPD Jambi. This is also supported by a total network of 16 Branch Offices, 28 Sub-Branch Offices, 7 Cash Offices, and 416 Sharia Offices channeling throughout the island of Sumatra.

The merger between SBU BPD Special Region of Yogyakarta, SBU BPD Central Java, and SBU BPD East Java to become a Java Islamic Bank which is estimated to reach total assets of IDR. 9.1 trillion (asset position as of

September 2022) and a total network of 13 Branch Offices, 32 Sub-Branch Offices, 12 Cash Offices, and 396 Sharia Offices Channeling. This figure represents 54.2% of the total assets of the Special Region of Yogyakarta BPD.

A merger of SBU BPD South Kalimantan, SBU BPD West Kalimantan, SBU BPD East Kalimantan, and North Kalimantan, and UUS BPD South Sulawesi and West Sulawesi to become a Kalimantan and Sulawesi Islamic Bank which is expected to reach total assets of Rp. 9.3 trillion (asset position September 2022). This figure represents 50% of the total assets of SBU South Kalimantan plus a total network of 8 Branch Offices, 39 Sub-Branch Offices, 10 Cash Offices, and 142 Sharia Offices Channeling. This Merger also supports the relocation of the new National Capital (IKN) to East Kalimantan, namely in parts of the North Penajam Paser Region and parts of the Kutai Kertanegara Region. Especially civil servants who have just been transferred to IKN placements

Conversion

Conversion from conventional banks to Islamic banks is nothing new in Indonesia. This practice has been widely practiced, such as the conversion of Bank Mega Syariah from Bank Umum Tugu in 2004, Panin Dubai Syariah which was converted from Bank Harfa in 2009, and Maybank Syariah Indonesia from Maybank Indocorp in 2010.

In addition, several Conventional Banks that owned SBU have converted into Islamic Banks, such as Bank Aceh Syariah in 2015, Bank NTB Syariah in 2018, and most recently Bank Riau and Riau Islands Syariah in 2022. This successful example certainly makes it easier for stakeholders' interest as a frame of reference for conversion. Conversion into an Islamic Commercial Bank requires commitment from all stakeholders starting from shareholders, the board of commissioners, and the board of directors to customers who receive services. Conversion decisions are business decisions based on efficiency, profitability, and customer satisfaction to improve service quality.

In terms of preparation for conversion, several components must be considered, such as the formation of a special conversion preparation team with various competencies in the fields of economics, law, and technology so that the conversion process is carried out with minimal risk. Employee training, bearing in mind that not all employees understand Sharia banking products. Of course, this preparation also accommodates the readiness conditions and expectations of employees. This means socialization and clarification are needed on whether existing employees will be retained or laid off to maintain their productivity. Comprehensive research to determine market conditions, and existing customer preferences, and formulate marketing strategies after conversion. As well as preparing a technology system to accommodate Sharia products. The conversion moment can also be used as momentum to launch new products, services, and features that provide added value for customers.

Discussion

Since the enactment of the Sharia Banking Law, several SBU have successfully spin-off from their parent companies. There are at least two spin-off ways taken by SBU, namely: Using an existing legal entity where the parent bank acquires a conventional bank, merges it with its own SBU, and then converts it into an Islamic bank for example PT BRI Syariah, PT Bank Syariah Bukopin, and PT BTPN Syariah or using a new legal entity, namely, direct spinoff from its parent bank without acquiring other banks before, for instance, PT BNI Syariah, PT Bank Jabar Banten Syariah, PT Bank Syariah Bukopin.

Rusydianan[25] investigate the efficiency of SBU that had already been spinoff before namely BNI Sharia, BRI Sharia, BJB Sharia, and Bukopin Sharia, the result show that there is a decrease in technical efficiency and pure technical efficiency before and after the spin-off. This cost adjustment is needed in the early periods of a spin-off. Islamic banks require a 'weaning' from their parents. Nevertheless, there is no statistically significant difference in the efficiency levels before and after the spin-off. Hilman[26] revealed that the growth rate of Islamic banks business is better than SBU, but in terms of profitability and efficiency level SBU is better than Islamic bank.

Pratiwi[27] projected that the SBU could turn into a Islamic bank in 2034, not in 2023. In 2023 the total assets of SBU only reached 14.7% of the Conventional Central Bank's total assets, while in 2034 the total assets of BUS are projected to reach 54.6% of the total assets of the central bank. According to table 1, total asset of SBU only reached 11,8% of its parent bank as of September 2022.

Therefore, Hadziq[28] suggest that the spin-off needs more evaluation to become a decision as an efficiency measurement because SBU is more efficient than Islamic banks. One of the elements is operating costs. However, Islamic banks are more inefficient than SBU in producing financial products and services. A huge burden in inefficiency is that labor costs cannot be cut and are frequently increasing from time to time. Finally, this urges the company's burden a weight; thus, consumer prices are more expensive.

---

[25] Rusydiana et al. (2019)
[26] Hilman (2018)
[27] Pratiwi (2021)
[28] Hadziq etal (2022)

Nonetheless, those findings only measure direct spinoff whereas there are couple ways to obey the Sharia Banking Law as this paper suggested. More than three-decade Islamic bank operates in Indonesia but only possess 7% of banking industry market share. The slow growth, encourage government to penetrate the market by creating temporary circumstance which conventional bank enjoyed.

CONCLUSION

Conclusions should only answer the objectives of research. Tells how your work advances the field from the present state of knowledge. Without clear Conclusions, reviewers and readers will find it difficult to judge the work, and whether or not it merits publication in the journal. Do not repeat the Abstract, or just list experimental results. Provide a clear scientific justification for your work, and indicate possible applications and extensions. You should also suggest future experiments and/or point out those that are underway.

The Islamic Banking Law requires all SBU to separate themselves from their parent bank no later than 2023. Otherwise, the consequence is that Bank Indonesia has the right to revoke SBU operational licenses at these conventional banks. To conclude, this study suggests several recommendations, the first being the top five SBU with the largest assets for direct spinoffs. Second, combining SBU with existing Islamic banks such as combining SBU of BPD DKI with BJB Syariah and SBU of Bank BTN with BTPN Syariah.

Third, to pursue the provision of 50% of the assets of the parent bank, several SBU can be merged for spinoffs, such as combining SBU North Sumatra, SBU BPD Jambi, SBU South Sumatra, and Bangka Belitung and SBU Bank Nagari which has total assets of IDR 11.9 trillion (position assets September 2022). The merger between SBU BPD Special Region of Yogyakarta, SBU BPD Central Java, and SBU BPD East Java to become a Java Sharia Commercial Bank which is estimated to reach total assets of IDR. 9.1 trillion. Merging SBU BPD South Kalimantan, SBU BPD West Kalimantan, SBU BPD East Kalimantan, and North Kalimantan and SBU BPD South Sulawesi and West Sulawesi to become Kalimantan and Sulawesi Islamic Bank with total assets of IDR. 9.3 trillion (asset position September 2022).

The last is converting Conventional Banks that have UUS into Sharia Commercial Banks. With this separation, the Islamic banking industry can improve its business prospects, improve the capital structure, improve the quality of trust and image, as well as increase productivity and efficiency. Acceleration in all aspects, both in terms of institutional and business volume. However the paper only use The Third Quarter 2022 Financial Report of each bank as basis data.■

REFERENCES

Abdul-Majid, Mariani, David S. Saal, and Giuliana Battisti. "The Impact of Islamic Banking on the Cost Efficiency and Productivity Change of Malaysian Commercial Banks." *Applied Economics* 43, no. 16 (2011): 2033–54. https://doi.org/10.1080/00036840902984381.

Aik, N, Tan, K. "A Study of Cost and Profit Efficiency of the Full-Fledged Islamic Banks and Islamic Windows in Malaysia." *SEGi Review* 5, no. 1 (2012): 41–46. https://www.semanticscholar.org/paper/COST-AND-PROFIT-EFFICIENCY-OF-THE-FULL-FLEDGED-AND-Aik-Tan/1dad8cd7e57873dd8e6bb724c86a9cdba1e8a50c.

Amin, Muhammad, Agus Rahayu, and Lili Adi Wibowo. "Readiness of Conventional Commercial Banks in Indonesia to Face Spin Off." *International Journal of Mechanical Engineering* 7, no. 5 (2022): 974–5823.

Angrum Pratiwi. "Spin-Off Sharia Banking In Indonesia: Calculation Projection And Critical Study Regulation." *Jurnal Penelitian Islami* 15, no. 02 (2021): 229–42.

Chenguel, Mohamed Bechir, Abdelkader Derbali, and Meriem Jouiro. "Installing Islamic Banking Windows in Conventional Bank: Effects on Performance." *International Journal of Financial Engineering* 06, no. 04 (2019): 1950033. https://doi.org/10.1142/s2424786319500336.

Choiriyah, Choiriyah, Saprida Saprida, and Emilia Sari. "Development of Sharia Banking System In Indonesia." *Mizan: Journal of Islamic Law* 5, no. 1 (2021): 17. https://doi.org/10.32507/mizan.v5i1.923.

Creswell, John W. *Research Design: Qualitative and Quantitative Approaches*. London: Sage Publications, 2009.

EmirHidayat, et. al., Sutan. "Islamic Banking Windows Vs Islamic Banking Subsidiary: Educators' Opinion In Bahrain." *International Journal of Pedagogical Innovations* 4, no. 2 (2016): 99–102. https://doi.org/10.12785/ijpi/040201.

Fah, Cheng, and Abbas Hassani. "A Study of Islamic and Conventional Banks in Malaysia." *Journal of King Abdulaziz University-Islamic Economics* 27, no. 1 (2014): 73–99.

Fuad Hadziq, Yosi Mardoni, Syafwendi Syafril. "REANALYSIS OF SPIN-OFF ISLAMIC BANKS IN INDONESIA: EFFICIENT OR NOT?" *Amwaluna: Jurnal Ekonomi Dan Keuangan Syariah* 6, no. 2 (2022): 214–28.

https://doi.org/10.1093/oseo/instance.00196643.

Ghalba, Firdaus, and Harimukti Wandebori. "Proposed Business Strategy Formulation for CIMB Niaga Syariah." *The Indonesian Journal of Business Administration* 2, no. 8 (2013): 986–1003.

Hamid, Abdul. "The Impact of Spin-Off Policy To the Profitability on Indonesian Islamic Banking Industry." *Al-Iqtishad: Journal of Islamic Economics* 7, no. 1 (2015): 117–26. https://doi.org/10.15408/ijies.v7i1.1363.

Hasan, Arief Ichwanul, and Tastaftiyan Risfandy. "Islamic Banks' Stability: Full-Fledged vs Islamic Windows." *Journal of Accounting and Investment* 22, no. 1 (2021): 192–205. https://doi.org/10.18196/jai.v22i1.10287.

Hassan, M. Kabir, Muneer M. Alshater, Rashedul Hasan, and Abul Bashar Bhuiyan. "Islamic Microfinance: A Bibliometric Review." *Global Finance Journal* 49, no. October 2020 (2021): 100651. https://doi.org/10.1016/j.gfj.2021.100651.

Hilman, Iim. "Sharia Business Unit Spin-off: Strategic Development Model of Sharia Banking in Indonesia." *International Journal of Islamic Banking and Finance Research* 2, no. 2 (2018): 1–15. https://doi.org/10.46281/ijibfr.v2i2.43.

Hilman, Tisnawan. "Spin-Off, Konstruksi Hukum Dalam Upaya Penguatan Struktur Perbankan Nasional." *Bank Indonesia*, Jakarta, 2009.

Maldaner, Luis Felipe, and Flávia Siqueira Fiorin. "An Analysis Framework Of Corporate Spin-Off Creation Focused On Parent Company: A Case Study Of A Traditional Industrial Company From The State Of Rio Grande Do Sul, South Of Brazil." *Revista Base (Administração e Contabilidade) Da UNISINOS* 15, no. 1 (2018): 56–78. https://www.redalyc.org/articulo.oa?id=337258164006.

Mubyarto. "Mengatasi Krisis Moneter Melalui Penguatan Ekonomi Rakyat." *Jurnal Ekonomi Dan Bisnis Indonesia* 16, no. 2 (2001): 98.

OJK. "Statistik Perbankan Syariah - Agustus 2022." *Ojk*, 2022, 1–116.

Pratama, Aditya, Warsiyah Warsiyah, and Dwi Nastiti. "Islamic Commercial Bank Business Strategy During Global Pandemic Outbreak." *International Journal of Economics, Business and Accounting Research (IJEBAR)* 6, no. 2 (2022): 901. https://doi.org/10.29040/ijebar.v6i2.5386.

Rahmatika, Arivatu Ni'mati. "Dual Banking System Di Indonesia." *At-Tahdzib: Jurnal Studi Islam Dan Muamalah* 2, no. 2 (2014): 133–47.

Ratnasari, Nissa Ghulma, Sri Rahayu Hijrah Hati, and Dony Abdul Chalid. "Full-Fledged VS Islamic Bank Windows: Which One Do Muslim Consumers Know Better and Prefer More?" *Iqtishadia* 14, no. 2 (2021): 301. https://doi.org/10.21043/iqtishadia.v14i2.9967.

Rizqullah. "Pemilihan Metode SpinOff Unit Usaha Syariah Bank Umum Konvensional Menjadi Bank Umum Syariah Di Indonesia." Universitas Trisakti, 2013.

Rusydiana, Aam Slamet, Abrista Devi, Fatin Hasib, and Lina Rani. "Spin Off Policy of Sharia Bank: Is It Profitable?" *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah* 11, no. 2 (2019): 265–88. https://doi.org/10.15408/aiq.v11i2.9157.

Rysaldi, Muhammad Ilham, and Budi Santoso. "Konsep Perbankan Syariah Pasca Spin Off: Perspektif Indonesia." *Notarius* 15, no. 1 (2022): 459–74. https://doi.org/10.14710/nts.v15i1.46054.

Santoso, Bedjo, and Khaliq Ahmad. "Islamic Microfinance Branchless Banking Model in Indonesia." *Intellectual Discourse* 24 (2016): 409–33.

Sugiyono. *Metode Penelitian Penelitian Kuantitatif, Kualitatif Dan R&D*. Bandung: Alfabeta, 2017.

Sulistiowati. "Keterkaitan Induk Perusahaan Dalam Konstruksi Perusahaan Kelompok Dan Implikasi Kepada Pihak Ketiga Di Indonesia." Universitas Gadjah Mada, 2009.