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# ANALYSIS OF BANK FINANCIAL RATIOS IN CONVENTIONAL COMMERCIAL BANK AND ISLAMIC COMMERCIAL BANK

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**ABSTRACT**

This research aims to determine the differences in the financial performance of conventional commercial banks and Sharia commercial banks by using 5 bank financial ratios, namely Loan to loan-to-deposit ratio (LDR), Non-Performing Loan (NPL), Return on Assets (ROA), Return on Equity (ROE), Operating Expenses to Operating Income (BOPO) and Capital Adequacy Ratio (CAR). This research method is descriptive and comparative. The population taken for this research was 74 conventional commercial banks and 12 sharia commercial banks. Samples were taken using nonprobability sampling with a purposive sampling approach. The research results show that there are significant differences between conventional commercial banks and sharia commercial banks when viewed from ROA, ROE, and BOPO. Meanwhile, if we look at LDR/FDR, NPL/NPF, and CAR, there are no significant differences between conventional commercial banks and Sharia commercial banks. This implies that Islamic banks should be able to maximize income from each product and also optimize their operational costs.

***ABSTRAK***

*Penelitian ini bertujuan untuk mengetahui perbedaan kinerja keuangan bank umum konvensional dan bank umum syariah dengan menggunakan 5 rasio keuangan bank, yaitu Loan to Deposit Ratio (LDR), Non Performing Loan (NPL), Return on Asset (ROA), Return on Equity (ROE), Beban Operasional terhadap Pendapatan Operasional (BOPO) dan Capital Adequacy Ratio (CAR). Metode penelitian ini adalah deskriptif dan komparatif. Populasi yang diambil untuk penelitian ini adalah 74 bank umum konvensional dan 12 bank umum syariah. Sampel diambil dengan menggunakan non probability sampling dengan pendekatan purvosive sampling. Hasil penelitian menunjukkan bahwa terdapat perbedaan yang signifikan antara bank umum konvensional dan bank umum syariah jika dilihat dari ROA, ROE dan BOPO. Sedangkan jika dilihat dari LDR/FDR, NPL/NPF dan CAR tidak terdapat perbedaan yang signifikan antara bank umum kovensional dan bank umum syariah. Hal ini mengimplikasikan bank syariah sebaiknya dapat memaksimalkan pendapatan dari setiap produk dan juga mengoptimalkan biaya operasionalnya.*

**INTRODUCTION**

Banks in Indonesia are differentiated in terms of pricing methods and are divided into two types, namely Conventional Banks and Islamic Banks. Conventional banks are banks that implement an interest system in each of their activities, while Islamic banks are banks that prohibit the interest system and carry out their business activities according to sharia principles under the supervision of the Sharia Supervisory Board to comply with sharia principles. The reform era for the development of Islamic banks was marked by the enactment of Law No. 10 of 1998 as a follow-up to the presence of Islamic banks in Indonesia. It regulates the details of the legal basis and the types of businesses operated and provides opportunities for conventional banks to open sharia branches. Bank financial performance can be assessed by several analytical tools. One of them is Financial Ratio Analysis which is a financial analysis technique to determine the relationship between certain items in the balance sheet and income statement both individually and simultaneously.

Based on Bank Indonesia Regulation No. 17/11/PBI/2015 dated 25 June 2015 concerning the Amendment to Bank Indonesia Regulation Number 15/15/PBI/2013 the safe LFR or LDR limit is 92% with a lower limit of 78%. The maximum upper limit for banking gross NPL is 5%. The minimum ROA limit is 1.5% to be said to be in good health because a good ROA is a company that is effective in using assets to earn profits. Meanwhile, ROE can be said to be productive if the ROE value is more than 12% with a minimum value of 8%. Bank Indonesia stated that the safe BOPO ratio is below 90%, because if it exceeds 100%, then the bank can be said to be inefficient in carrying out its operations. According to BI regulations, a good CAR is at least 8%, which means that the bank can finance bank operations and is profitable for profitability with a sizable contribution.

Table 1 indicates that LDR values for Conventional Commercial Banks tend to decrease from 2015 until 2017 and then increase starting in 2018. These data are calculated effectively from each bank's official website. Gross NPL, meanwhile, declined in 2016 and will continue to increase in 2017. Conventional banks' ROA, ROE, and BOPO values are prone to change, but their CAR values are more inclined to increase. Table 1 also shows that conventional banks continue to have a higher ratio than Islamic banks. FDR tends to fall between 2015 and 2017 and rise the following year, whereas the Gross NPF of Islamic banks tends to fluctuate and fall between 2017 and 2019. Islamic banks' ROA and ROE rose in 2016 before sharply declining in 2017 and then sharply increasing the following year. However, the BOPO value is prone to fluctuations and is above the Indonesian bank's typical limit in 2017, implying ineffective operation of the bank. Last but not least, the average CAR value fluctuates from 2015 to 2017 and continues to go up from 2018 but is still within Bank Indonesia Standards specifications.

Research on the comparison of the financial performance of conventional banks and Islamic banks has been carried out before by several researchers as shown in Table 2.

**Table 1. Average Conventional Commercial and Sharia Bank Financial Ratios Period 2015 - 2019**

| Tahun | LDR/FDR % | | NPL/NPF (Bruto) | | ROA | | ROE | | BOPO | | CAR | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | BK | BS | BK | BS | BK | BS | BK | BS | BK | BS | BK | BS |
| 2015 | 90,35 | 92,09 | 0,66 | 1,74 | 3,02 | 1,91 | 17,83 | 8,75 | 75,09 | 90,42 | 20,53 | 20,78 |
| 2016 | 89,02 | 88,59 | 0,61 | 1,39 | 3,05 | 2,54 | 15,99 | 11,09 | 73,58 | 88,13 | 21,94 | 23,18 |
| 2017 | 88,77 | 84,00 | 0,64 | 2,24 | 2,80 | 2,87 | 14,10 | 11,45 | 74,06 | 111,26 | 22,24 | 22,05 |
| 2018 | 91,93 | 85,70 | 0,69 | 2,13 | 3,14 | 3,13 | 15,43 | 10,06 | 70,48 | 86,01 | 22,44 | 27,48 |
| 2019 | 106,33 | 87,28 | 0,83 | 1,63 | 2,86 | 3,42 | 14,09 | 10,27 | 72,78 | 84,28 | 22,88 | 28,29 |
| Average | 93,28 | 87,53 | 0,69 | 1,82 | 2,97 | 2,34 | 15,49 | 6,53 | 73,20 | 92,02 | 22,00 | 24,36 |

**Table 2. Research Comparison**

| No | Name/Year | Research Title | Research Results |
|---|---|---|---|
| 1 | Adi Susilo Jahja (2012) | Comparative Analysis of Financial Performance of Islamic Banking and Conventional Banking | A, ROE and LDR are better for Islamic banks compared to conventional banksCAR, NPL and BOPO of conventional banks are better than Islamic banks |
| 2 | Ari Setyaningsih (2013) | Comparative Analysis of Financial Performance of Islamic Banking and Conventional Banking | PT. Bank BRI, Tbk is better than PT Bank Syariah Muamalat Indonesia, Tbk. This is shown by PT Bank BRI, only the LDR value is lower |
| 3 | Yusvita Nena Arinta (2016) | Comparative Analysis of Financial Performance between Islamic Banks and Conventional Banks (Case Study on Bank Syariah Mandiri and Bank Mandiri) | Based on statistical calculations it can be seen that as a whole from the financial performance of Islamic banks Mandiri is better at the ratio of ROE, NIM, and LDR while Bank Mandiri has better financial performance on CAR, ROA, and NPL ratios. But overall it is known that Bank Syariah Mandiri has better performance in terms of financial ratios compared to Bank Mandiri |
| 4 | Molli Wahyuni (2017) | Comparative Analysis of the Financial Performance of Islamic Banks and Conventional Banks in Indonesia | The average value of the LDR ratio is greater in Islamic banks of 4.579430% compared to conventional banks of 0.7043958%, which means that the LDR in conventional banks is better than Islamic banks. In terms of paying back obligations to customers who have invested their funds with credits that have been given to debtors. The results of the study show that there is a significant difference in performance in terms of the LDR ratio between Islamic banks (PT Bank Syariah Mandiri) and conventional banks (PT Bank Central Asia). |
| 5 | Dedi Suhendro (2018) | Comparative Analysis of the Financial Performance of Islamic Commercial Banks vs Conventional Commercial Banks in Indonesia Using Financial Ratios | The CAR ratio of Conventional Commercial Banks is more than that of Islamic Banks. The results of the NPL ratio at Islamic Commercial Banks are higher compared to Conventional Commercial Banks. The results of the ROA ratio at Conventional Commercial Banks are higher than those of Islamic Commercial Banks. The BOPO ratio at Islamic Commercial Banks is higher than that of Conventional Commercial Banks, this indicates that Conventional Commercial Banks are better than Islamic Commercial Banks. The LDR ratio at Islamic Commercial Banks is higher than that of Conventional Commercial Banks because Conventional Commercial Banks are better able to fulfill their short-term obligations. |

| No | Name/Year | Research Title | Research Results |
|---|---|---|---|
| 6 | Sasa Elida Sovia (2016) | Comparative Analysis of the Financial Performance of Conventional Banks and Islamic Banks Based on Bank Financial Ratios (Studies on Conventional Banks Listed on the IDX That Have Islamic Banks for the 2012-2014 Period) The results of | this study indicates that there are differences in the financial performance of conventional banks and Islamic banks, namely conventional banks are better seen from the ratio of ROA, BOPO, NIM, NPL, and ROE while Islamic banks are better than CAR and LDR ratios |
| 7 | Duwi Hardianti (2018) | Comparative Analysis of Financial Performance of Conventional Commercial Banks and Islamic Commercial Banks Based on Bank Financial Ratios (Study on Conventional Public and Islamic Commercial Banks Registered and Supervised by the Financial Services Authority (OJK) Period 2013-2016) Bank financial ratios LDR, ROA, ROE, | BOPO and NPLs. The results of the study explain that conventional commercial banks are better than Islamic commercial banks. |
| 8 | Choirunnisa dkk. (2021) | Comparative Analysis of the Financial Performance of Islamic Banks and Conventional Banks in Indonesia | The results of the study explain that there are significant differences between each Islamic bank and conventional bank where the CAR of Islamic banks is better than that of conventional banks while the LDR and ROA of conventional banks are better than those of Islamic banks . |
| 9 | Aprilya Edistyani Putri (2014) | Comparative Analysis of Financial Performance of Islamic Banks and Conventional Banks with Analysis of Financial Ratios CAR, ROA, ROE, NIM, LDR and NPL | Explains that CAR, NIM, LDR of Islamic Banks is better than Conventional Banks. Whereas ROA, ROE and NPL of Conventional Banks are better than those of Islamic Banks. |
| 10 | Rista Russilawati & Indah Mustikawati (2018) | Comparative Analysis of Financial Performance of Conventional Commercial Banks and Islamic Commercial Banks in Indonesia 2012-2016 Period Using the RGEC Method | The results show that conventional banks are better than Islamic banks |

Based on the differences in the results of previous research, there is a research gap. Users will compare the financial performance of conventional banks and Islamic banks to determine whether there is a difference between conventional bank LDR and bank FDR. Sharia, conventional bank and Islamic bank Return on assets (ROA), conventional bank and Islamic bank ROEs, conventional bank and Islamic bank BOPOs, and conventional bank and Islamic bank CARs for the period 2016 to 2019.

The difference that the researcher will make with previous research is that this research uses a performance appraisal method by what is determined by Bank Indonesia, namely RGEC. This study uses a performance appraisal method by what is determined according to Bank Indonesia, namely RGEC. The RGEC analysis used includes aspects of the Risk Profile measured using the ratio of Non-Performing Loans (NPL) and Loan Deposit Ratio (LDR), Earnings are measured by the ratio of Return on Assets (ROA), Return on Equity (ROE), and Operating Expenses to Income Operational (BOPO) and Capital are measured by the ratio of Capital Adequacy Ratio (CAR) which is quantitative data (Daniswara & Sumarta, 2016). Aspects of Good Corporate Governance (GCG) are not used due to limited data access and are qualitative data.

## LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### Comparison of the conventional bank's LDR value to the Islamic bank's FDR value

In the banking world, the terms Loan to Deposit Ratio (LDR) and Financing to Deposit Ratio (FDR) are known. Even though the terms used are different, they have the same general definition. The difference is only if LDR is used for conventional banks while FDR is used for Islamic banks. LDR is the ratio between the total volume of credit divided by the total amount of funds received which is presented in percent units. If the LDR ratio is high, it means that the bank is lending all of its funds so the bank is said to be illiquid. Conversely, if the LDR ratio is low, then the bank is liquid with excess capacity of funds ready to lend. FDR has the same function as LDR, namely as an intermediary in Islamic banks. The term FDR is used because Islamic banks do not recognize the term loan, but financing. The results of the FDR calculation are used as an indicator to measure a company's ability to repay customer withdrawals using credit as a source of liquidity. The higher the FDR value, the lower the liquidity, which means that the greater the funding received, the higher the risk borne. Risks such as Non-Performing Finance and credit risk make it difficult for banks to return funds deposited by customers. In conventional banks, money will grow with the provision of interest obtained from the management of the bank. Meanwhile, Islamic banks apply profit sharing. The reason is, that Islamic banks will determine the level of profit sharing received by customers. The more customers deposit funds channeled in the form of financing, the higher the level of profit sharing received by deposit customers.

**$H_1$: There is a significant difference between the LDR (Loan to Deposit Ratio) of conventional banks and Islamic banks**

### Comparison of the Gross NPL value of conventional banks to the Gross NPF value of Islamic banks

There are two terms in banking, namely Non-Performing Loans (NPL) used for conventional banks and Non-Performing Financing (NPF) used for Islamic banks. The term NPF is used to replace the concept of a loan. NPL is referred to as non-performing loans which is used as an indicator to measure the soundness of bank assets so that the condition of assets and the adequacy of credit risk management can be assessed. NPL can provide an overview of the problems that must be addressed immediately so as not to have a detrimental impact on the bank. High NPLs can reduce bank capital so that subsequent credit distribution will experience problems. Following regulations issued by Bank Indonesia, the NPL ratio set is 5%. If the value of the bank's NPL ratio is more than 5%, it can be said that the bank is not healthy. Meanwhile, NPF is a loan that is experiencing payment difficulties. This problem can be caused by inaccurate credit analysis and unstable economic conditions. The NPF ratio can be used as an indicator of the level of identification of a bank's loan quality and as a reflection of payment risk. The principle of conventional banks which rely heavily on interest rates as a source of income makes conventional banks not deal with the risks that their customers may face. The customer does not need to think about the risks that might occur to the bank where he makes transactions or deposits funds. Meanwhile, Islamic banks that use a profit-sharing system apply the point "equally easy to carry, equal weight to bear, so that all things that happen are borne together, either in the form of profits or losses.

**$H_2$: There is a significant difference between the Gross NPL (Non-Performing Loan) of Conventional Banks and Islamic Banks**

**Comparison of the ROA value of conventional banks to the ROA value of Islamic banks**

Return On Assets (ROA) is one of the profitability ratios to assess a company's ability to earn profits from assets used by assessing the company's ability based on past profit earnings to be utilized in the next period or period. According to Dias Widhiyati, Business Director of BNI Syariah, Islamic banks have lower prices due to higher operational costs compared to conventional banks. Conventional banks and Islamic banks have similarities in some respects, especially in the technical terms of acceptance, transfer mechanisms, computer technology used, general financing requirements, and so on. The difference between conventional banks and Islamic banks concerns legal aspects, organizational structure, the business being financed, and the work environment. For example, the organizational structure of Islamic banks has the same structure as conventional banks in terms of commissioners and directors, but Islamic banks, it is required to have a Sharia supervisory board whose function is to oversee bank operations and their products so that they comply with Sharia lines.

**$H_3$: There is a significant difference between the ROA (Return on Assets) of Conventional Banks and Islamic**

**Comparison of the ROE value of conventional banks to the ROE value of Islamic banks**

Return On Equity Islamic banks between conventional banks and Islamic banks show that Islamic banks have better management capabilities in obtaining returns on their managed capital when compared to conventional banks, this is because conventional banks bear higher liquidity risks. higher than Islamic banks in fulfilling their obligations. For example, in a conventional bank interest must be paid even though the bank suffers a loss due to its business activities which results in a shortage of liquidity. This forces banks to raise funds from the public through increasing interest rates, but the increase in interest rates causes interest rates to increase on loans which can have an impact on creditors who are unable to pay their debts and the bank suffers losses. In contrast to the profit-sharing system, every time a profit or loss is obtained from its business, the customer and the bank share both profits and losses. This is what causes conventional banks to be more risky than Islamic banks.

**$H_4$: There is a significant difference between ROE (Return on Equity) of Conventional Banks and Islamic**

**Comparison of the BOPO value of conventional banks to the BOPO value of Islamic banks**

BOPO is an efficiency ratio used to measure management's ability to reduce operational costs to operational income. So, the higher the BOPO number, the less ability the bank has to reduce its operational costs, thereby reducing the bank's income. Conventional banks' BOPO is better (smaller than Islamic banks, which means conventional banks are more efficient. This is because most Islamic banks are generally still relatively new, so they still bear losses. Hardianti (2018) and Russilawati & Mustikawati (2018) in their research stated that there are differences significant differences between Islamic banking and conventional banking. In this case, the performance of Islamic banks is not better than conventional banks.

**$H_5$: There is a significant difference between the BOPO (Operating Costs to Operating Income) of Conventional Banks and Islamic Banks**

**Comparison of the CAR value of conventional banks to the CAR value of Islamic banks**

CAR which is used as a capital adequacy variable aims to determine whether the existing capital is sufficient to support bank activities and can absorb losses that cannot be avoided. Sovia (2016) and Putri (2014) examined the analysis of financial performance between conventional banks and Islamic banks, the results of which showed that the level of CAR held by Islamic banks was higher than that of conventional banks. The relatively high CAR ratio in Islamic banks is since Islamic banks have a higher level of risk compared to conventional banks. This shows that the differences in the risks faced will also have an impact on the differences between the CAR ratios of conventional banks and Islamic banks.

**$H_6$: There is a significant difference between the CAR (Capital Adequacy Ratio) of Conventional Banks and Islamic Banks**

## RESEARCH METHOD

The research was carried out at conventional banks and Islamic banks registered and supervised by the Financial Services Authority (OJK) for the period 2015 – 2019. This study used quantitative methods with descriptive and comparative research approaches. The type of data used is secondary data. Data comes from literature studies related to bank financial performance, including books, newspapers, journals, and the internet, and financial reports that have been presented and can be accessed through each bank's official website or on the official OJK website at www.ojk.go.id. The population used in this study were all conventional banks and Islamic banks registered and supervised by the OJK (Financial Services Authority) for the period 2015 – 2019. Furthermore, the sample was selected using non-probability sampling with purposive sampling, namely (1) banks have subsidiaries/are conventional commercial bank subsidiaries (2) conventional banks or Islamic banks that already have licenses to operate or legality (3) banks registered and directly supervised by the OJK (Financial Services Authority) for the period 2015 – 2019 (4) Uploading financial reports for the period 2015 – 2019 (5) Provide data for calculating LDR, NPL, ROE, ROA, CAR, and BOPO.

This study includes (1) descriptive statistics techniques used to determine the description of data so that it can be easily understood and clear; (2) the coefficient of variation which is the standard deviation divided by the expected return and is expressed in the form of a percentage. The coefficient of variation is used to see the distribution/distribution of the data from the calculated average. The smaller the coefficient of variation, the more homogeneous (uniform) the data and the smaller the risk, while the greater the variation coefficient, the more heterogeneous (varied) the data, and the greater the risk; (3) Man-Whitney U-Test, that used to determine the average difference between two unpaired samples. The U-test is a non-parametric test option if the t-test cannot be carried out because it does not fulfill the normality assumption so the U-test can be an alternative to the two-mean difference test.

## RESULT AND DISCUSSIONS

### LDR/FDR Variables

Islamic banks are better in terms of LDR compared to conventional banks, because the average FDR of Islamic banks is 87,53% which is within the safe limit of Bank Indonesia Standards with a safe limit between 78% - 92%. Meanwhile, the average LDR of conventional banks is 93,28% which is outside the safe limit. Based on the coefficient of variation, it shows that the FDR value of Islamic banks is smaller than the LDR of conventional banks, thus the FDR data of Islamic banks is more homogeneous compared to the LDR of conventional banks.

**Table 3. Comparison of Average Descriptive Research Results**

| Variables | Bank Conventional | Syariah banks | Standard BI | Information |
|---|---|---|---|---|
| LDR/FDR | 93,28% | 87,53% | 78%-92% | Islamic banks are better |
| NPL/NPF | 0,68% | 1,82% | < 5% | Conventional banks are better |
| ROA | 2,97% | 2,77% | > 1,5% | Conventional banks are better |

| | | | | |
|---|---|---|---|---|
| ROE | 15,49% | 10,32% | > 12% | Conventional banks are better |
| BOPO | 73,20% | 92,02% | 90%-100% | Conventional banks are better |
| CAR | 22% | 24,35% | > 8% | Islamic banks are better |

**NPL/NPF Variables**

Conventional banks' NPLs are better than Islamic banks' NPFs even though both are within the Bank Indonesia Standard safe limit of 5%. The average NPL value of conventional banks is 0,68% which is smaller than the average NPF value of Islamic banks which is 1,82%. Based on the value of the coefficient of variation, it shows that the NPL value of conventional banks is smaller than the NPF of Islamic banks. Thus, the NPL data of conventional banks is more homogeneous compared to the NPF of Islamic banks.

**ROA Variables**

Conventional bank ROA is better than Islamic banks because it is within the limits of Bank Indonesia Standard which states that the minimum ROA limit is 1,5% to be said to be in a healthy condition. The average ROA value of conventional banks is 2,97%, which is greater than the average ROA value of Islamic banks, which is 2.77%. Based on the value of the coefficient of variation, it shows that the ROA value of conventional banks is smaller than the ROA of Islamic banks. Thus, the ROA data of conventional banks is more homogeneous compared to the ROA of Islamic banks.

**ROE Variables**

Conventional bank ROE is better than Islamic banks because it is within the limits of Bank Indonesia Standards where a good ROE value is more than 12% with a minimum limit of 8%. The average ROE value of conventional banks is 15.49%, which is greater than the ROE of Islamic banks, which is 105.32%. Based on the value of the coefficient of variation, it shows that the ROE value of conventional banks is smaller than the ROE of Islamic banks. Thus, the ROE data of conventional banks is more homogeneous compared to the ROE of Islamic banks.

**BOPO Variables**

Conventional banks' BOPO is better than Islamic banks which are at the limit of Bank Indonesia Standards with a safe limit of 90% and not more than 100%. The BOPO value of conventional banks is 73.20%, which is smaller than the BOPO of Islamic banks, which is 92,02%. Based on the value of the coefficient of variation, it shows that the average BOPO value of conventional banks is smaller than the average BOPO value of Islamic banks. Thus, the BOPO data of conventional banks is more homogeneous compared to the BOPO of Islamic banks.

**CAR Variables**

The CAR of Islamic banks is better than conventional banks because it is within the limits of the Bank Indonesia Standard which states that a minimum CAR limit of 8% can be said to be in a healthy condition. The average CAR value of conventional banks is 22%, which is smaller than the average CAR value of Islamic banks, which is 24,35%. Based on the value of the coefficient of variation, it shows that the CAR

**Table 4 Mann Whitney U-Test Rasio LDR Bank Conventional and Syariah Banks**

| | LDR | NPL | ROA | ROE | BOPO | CAR |
|---|---|---|---|---|---|---|
| Mann-Whitney U | 238.000 | 247.000 | 131.500 | 155.000 | 97.000 | 263.500 |
| Wilcoxon W | 563.000 | 598.000 | 456.500 | 480.000 | 448.000 | 614.500 |
| Z | -1.446 | -1.262 | -3.512 | -3.056 | -4.175 | -.711 |
| Asymp. Sig. (2-tailed) | 0,148 | 0,207 | 0,000 | 0,002 | 0,000 | 0,477 |

value of conventional banks is smaller than the CAR of Islamic banks. Thus, the CAR data of conventional banks is more homogeneous than that of Islamic banks.

**Average Difference Test (Man-Whitney U-Test) Loan to Deposit Ratio (LDR)/Financing to Deposit Ratio (FDR)**

Asymp value. Sig. (2-tailed) LDR ratio of Conventional Banks and Islamic Banks is 0,148 in Table 4. The Asymp. Sig (2-tailed) > 0,05 then H1 is rejected or it can be interpreted that when viewed from the LDR ratio there is no significant difference between the financial performance of conventional banks and Islamic banks. Asymp. Sig. (2-tailed) for the NPL ratio of conventional banks and Islamic banks in Table 15 above, which is 0,207, which means the Asymp value. Sig. (2-tailed) > 0,05 so that H2 is rejected or it is said that there is no significant difference between the financial performance of conventional banks and Islamic banks. Asymp value. Sig. (2-tailed) ROA ratio is 0,00 which means the value of Asymp. Sig. (2-tailed) < 0,05 so that H3 is accepted or it can be said that there are differences in financial performance between conventional banks and Islamic banks when viewed from ROA.

Asymp value. Sig. (2-tailed) for the ROE ratio which is equal to 0.002 so that it can be said that H4 is accepted or there is a significant difference between the financial performance of conventional banks and Islamic banks if the ROE ratio is due to the Asymp value. Sig. (2-tailed) < 0,05. Asymp value. Sig. (2-tailed) for the BOPO ratio at conventional banks and Islamic banks is 0,000. Because the Asymp. Sig. (2-tailed) < 0,05, then H5 is accepted or it can be said that there is a significant difference between the financial performance of conventional banks and Islamic banks when viewed from BOPO. Asymp value. Sig. (2-tailed) for the BOPO ratio at conventional banks and Islamic banks at 0,477. Because the Asymp. Sig. (2-tailed) > 0,05, then H6 is rejected or it can be said that there is no significant difference between the financial performance of conventional banks and Islamic banks when viewed from the CAR ratio.

## DISCUSSIONS

**Loan to Deposit Ratio (LDR)/Financing to Deposit Ratio (FDR)**

The LDR ratio is used to measure a bank's ability to meet its short-term financial obligations by comparing the amount of credit extended to the amount of third-party funds. For investors, LDR is very important as an indication used to find out whether the bank is being operated properly. Bank Indonesia Regulation Number 15/15/PBI/2013 explains that the LDR or FDR limit is 92% with a lower limit of 78%.

The average value (mean) of the conventional bank LDR variable is 93,27% while the average value (mean) of Islamic bank FDR is 87.53% so it can be interpreted that during the period 2015 – 2019, Islamic banks have a better FDR than bank LDR conventional because Islamic banks are within the standard safe limits of Bank Indonesia while conventional banks are outside the safe limits of Bank Indonesia standards. Therefore, Islamic banks are more liquid than conventional banks because the higher the LDR value, the higher the liquidity capacity of a bank. The higher the LDR ratio, the lower the bank's inability to cover short-term needs. Conversely, the lower the LDR, the more adequate the bank's liquidity, but many funds are idle so the income from credit is small. This is in line with the research results of Russilawati & Mustikawati (2018) which explains that there is no significant difference between LDR and FDR.

Based on the results of the research that has been done, it show that the comparison of LDR performance between conventional banks and Islamic banks has an Asymp value. Sig. (2-tailed) 0.148 > 0.05 which means that there is no significant difference between conventional banks and Islamic banks. With almost similar terms, both have almost the same definition in general. Both are also influenced by external factors, namely economic factors where customers will compete to borrow loans from banks to meet the increasing needs of life which will affect the amount of savings. Desi & Nyoman (2016) state that Islamic bank FDR is not affected by the BI Rate, therefore many customers take advantage of their credit. So when referring to this, the LDR ratio at conventional banks is more ideal than the FDR at Islamic banks.

**Non-Performing Loans (NPL)/Non-Performing Finance (NPF)**

The NPL/NPF ratio is used to measure loans that can be categorized as bad by comparing the total non-performing loans to the total loans extended to third parties. Based on the results of research that has been done, a comparison of the NPL performance of conventional banks with the NPF of Islamic banks has an Asymp value. Sig. (2-tailed) 0.207 > 0.05 which means that there is no significant difference between the financial performance of conventional banks and Islamic banks. This can happen because the average NPL value of conventional banks and Islamic banks both still meet Bank Indonesia standards, namely below 5%.

The average (mean) NPL value of conventional banks is 0,68% while the average (mean) NPF value of Islamic banks is 1.82% so it can be interpreted that during the period 2015 – 2019, the NPL of conventional banks is better than the NPF. This is in line with Hardianti (2018) which states that there is no significant difference between the NPL and NPF of Islamic banks. When referring to BI regulations which stipulate that the NPL/NPF ratio cannot be more than 5%, it can be concluded that conventional banks are better at handling their non-performing loans compared to Islamic banks.

At conventional banks, credit transactions are submitted based on a loan agreement with customers who must pay or return funds that have been borrowed along with interest that has been determined by the agreed time. Meanwhile, credit transactions at Islamic banks use murabahah, or sale and purchase agreements that will change ownership status. The process of distributing credit, they are both under the 5C principles, namely character, capacity, capital, collateral, and condition, but research by Shafira (2018) explains that management at Islamic banks pays little attention to and supervises the financing provided so some sharia problem financing is much higher than conventional banks. Based on field data, it can be analyzed that there were errors in conducting field surveys by the BMT (Baitul Maal Wat Tamwil) or Integrated Independent Business Center. Lack of knowing the character of the customer lack of information about the condition of the customer, the quality of the goodwill of the customer, trust in the customer does not always work well so it is often misused, changes in the character of the customer, for example, a customer who was initially good turned out to be unstable and the customer's business failed. This can lead to ineffective controls and difficulty in collecting expenses and debts. Meanwhile, in conventional bank lending, in addition, conventional banks are more effective in dealing with liquidity problems than Islamic banks.

**Return on Assets (ROA)**

The ROA ratio is used to measure the ability of bank management to obtain profit/profit from the assets used by assessing the company's ability based on past profit earnings to be utilized in the next period or period. Minimum ROA of 1.5% to be said to be in good health. Based on the results of research that has been done, a comparison of the ROA performance of conventional banks and Islamic banks shows that ROA has an Asymp value. Sig. (2-tailed) 0.00 > 0.05 which means there is a significant difference. The average value (mean) of conventional bank ROA is 2.97% while the average value (mean) of ROA is 2.77% so it can be interpreted that during the period 2015 - 2019, the ROA of conventional banks is better than the ROA of Islamic banks. This follows Arinta (2016) which explains that there is a difference between the ROA of conventional banks and the ROA of Islamic banks where the ratio of conventional banks is better than the ratio of Islamic banks, which means that conventional banks are more efficient in utilizing their assets to earn profits. Therefore, the profit before tax obtained by conventional banks is greater when compared to the profits generated by Islamic banks. Even though there are significant differences, the ROA value of Islamic banks is still within the safe limits of Indonesian bank standards because Islamic banks are still able to utilize their current assets to generate profits.

**Return on Equity (ROE)**

ROE is a ratio used to measure a bank's ability to benefit from its capital by comparing a company's net profit after tax with its total capital. ROE can be said to be productive if the ROE value is more than 12%

with a minimum limit of 8%. Based on the results of the research that has been done, a comparison of the ROE performance of conventional banks and Islamic banks shows that ROE has an Asymp value. Sig. (2-tailed) 0.02 <0.05 which means that there is a significant difference between conventional banks and Islamic banks. The average value (mean) of conventional bank ROE is 15.49% while the average value (mean) of Islamic bank ROE is 10.32%. Therefore, it can be said that conventional banks are better than Islamic banks in obtaining profits from their capital.

This is under the results of research conducted by Setyaningsih & Utami (2013) which explains that there is a significant difference between the ROE of conventional banks and the ROE of Islamic banks where the financial performance of conventional banks is better than that of Islamic banks. This is because the profit level of conventional banks is higher and the ROE value is due to the NPL value where asset management or risk management is much better. In terms of Islamic bank investment
applying profit sharing, while conventional banks apply the interest side so that conventional banks always get yields as well as small risks from the NPL side.

**Operational Costs to Operational Income (BOPO)**

Income BOPO is a ratio used to measure the level of efficiency or a bank's ability to control operating costs to operating income by comparing operating costs to operating income in the same period. BOPO can be said to be safe if it is below 90% and does not exceed 100%. Based on the results of research that has been done, BOPO has an Asymp value. Sig. (2-tailed) 0,00 <0,05 which means that there is a significant difference between the BOPO of conventional banks and the BOPO of Islamic banks. The average (mean) BOPO value of conventional banks is 73,20% while the average (mean) BOPO value of Islamic banks is 92,02%, so it can be said that conventional banks' BOPO is better than Islamic banks' BOPO.

This supports the research of Sovia (2016) which concluded that there are differences between the BOPO of conventional banks and Islamic banks where the BOPO of conventional banks and Islamic banks is better than the BOPO of Islamic banks. The high BOPO ratio at Islamic banks is caused by increased costs that must be borne due to unfulfilled income. In contrast, conventional banks can reduce operational costs such as interest costs, marketing costs, labor costs, and other operational costs to maximize operating income. This is evidenced by the highest BOPO value of conventional banks ever achieved at 86,66% in 2015 by Panin Bank while the BOPO value of Sharia banks reached 217,44% by Panin Syariah Bank in 2017.

**Capital Adequacy Ratio (CAR)**

CAR is a ratio to measure the adequacy of capital owned by a bank to support risky assets by comparing the ratio of capital to risk-weighted assets according to government regulations. Following Bank Indonesia regulations, a good CAR value is at least 8%. Based on the results of research that has been done, CAR has an Asymp value. Sig. (2-tailed) 0,477 <0,05, which means that there is no significant difference between the CAR of conventional banks and the CAR of Islamic banks. The average (mean) CAR of conventional banks is 22% while the average (mean) CAR of Islamic banks is 24,35%, so it can be seen that the CAR of Islamic banks is better than the CAR of conventional banks.

This is in accordance with research conducted by Russilawati (2018) which concluded that there is no significant difference between the CAR of conventional banks and the CAR of Islamic banks. However, it is different from Choirunnisa dkk. (2021) stated that there is a difference between the CAR of conventional banks and Islamic banks, but the CAR of Islamic banks is better than that of conventional banks. So Islamic banks show that they can provide funds or capital to develop their business.

The high CAR ratio in Islamic banks is because Islamic banks have a higher level of risk compared to conventional banks so there are differences in the risks that Islamic banks are likely to face which can also have an impact on differences between the CAR ratios of conventional banks and Islamic banks. In terms of taking risks, Islamic banks adhere to the notion that the weight is equally borne lightly and carried, which means that Islamic banks and customers jointly bear the risks that customers are likely to face. This principle is not found in conventional banks so Islamic banks are required to better maintain CAR because the risks faced are likely to be greater.

**CONCLUSION**

The average LDR value of conventional banks is above the standard safe limit of Bank Indonesia compared to the FDR of Islamic banks. This is due to higher credit growth compared to growth in third-party funds (DPK). Therefore, the bank needs to take into account channeling credit through other instruments or not only from DPK and restraining credit growth. Conventional banks are said to be better at handling non-performing loans for Islamic banks, it is hoped that they can be more selective in providing loans, for example by creating client profiles that have a good track record of debt and receivables, managing collateral with sophisticated analytical tools, detecting NPL risk by not relying only on maturity and dividing up asset classes so that banks can adjust their lending strategies according to their respective classes. ROA of Islamic banks is still within the limits of Indonesian standards but conventional banks are considered much better at utilizing their assets. To be able to increase the value of ROA, namely by increasing revenue on each product and offset by the ability to spend a little money to do so. (d) To increase ROE, Islamic banks can increase profits, one of which is by using an integrated accounting system to make accurate business forecasts so that they remain careful in expanding to generate profits and assets must endeavor to continue to grow by producing productivity so that they can balance conventional bank ROE value. The BOPO of Islamic banks is still higher than that of conventional banks. Therefore, it is necessary to cut costs that are not important to be said to be efficient. (f) Conventional banks and Islamic banks have the same high CAR value so it can be interpreted that there is growth potential that can be taken. Therefore, it is expected that both conventional banks and Islamic banks can maintain the CAR value to achieve financial stability at the bank. The trick is that banks only need to focus on increasing the number of assets that have a high risk weight such as credit assets even though they are high risk but credit can contribute to operating income and also bank profitability.

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