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SHARIA BUSINESS UNIT SPIN-OFF: STRATEGIC DEVELOPMENT MODEL OF SHARIA BANKING IN INDONESIA

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Abstract

Islamic bank in Indonesia in the last ten years shows a positive trend is quite impressive, the average asset growth of 30% is well above the average growth of conventional banks which only reached 15%. This reflects that the response of the community to make the Islamic bank as a business partner and Islamic finance management quite well, and have prospects as well as open opportunities to continue to grow if it is associated with the muslim population in Indonesia.

The other side, if the terms of its contribution to the national banking system is still very small, as indicated by the achievement of market share of Islamic banks until the end of December 2016 reached only 5.30% of the total national banking assets. Regarding to the objective conditions, would need the appropriate business development strategy to boost growth and expand market share, so that Islamic banks can increase their role in national economic activities. Birth of Banking Act number 21 of 2008 concerning Islamic Banking, has made a solid legal foundation for the development of Islamic banking in Indonesia. Spin-Off sharia business unit owned by a conventional bank is one of the business development strategy offered by the Act.

This paper aims to identify and measure the effectiveness of the implementation of the spin-off business unit into a sharia/Islamic banks (Sharia Commercial Bank-BUS) that have been carried out by some Islamic banks in Indonesia. The results show that the growth rate of BUS business activity is better than Sharia Business Unit (UUS), but in terms of profitability and efficiency level of UUS is better than BUS.

Keywords: spin-off, sharia business unit, business srtategy, sharia commercial bank, conventional bank.

Introduction

The birth of Act no. 10 of 1998 became a stronger foundation and a milestone for the development of sharia banking in Indonesia. Under the Act, conventional commercial banks are given the opportunity to implement sharia services through the opening of Sharia (Islamic) Business Units and Sharia Branch Offices (SBO), as well as the opportunity to open sharia services in conventional branches (Office Channeling), and even to convert all of its business activities become sharia bank business activities. Not stopping there, the seriousness and alignment of the government to develop sharia banking in Indonesia, in 2008 in July was born Act no. 21 of 2008 concerning Sharia Banking, followed by the issuance of Bank Indonesia Regulation (PBI) No.11/3/PBI/2009 and Circular Letter of Bank Indonesia (SEBI) No. 11/9/DPbS concerning Sharia Commercial Banks, and PBI No.11/10/PBI/2009 concerning Sharia Business Unit. One of the provisions of the said regulation is a Conventional Commercial Bank (BUK) able to perform the Spin-Off of UUS which is owned by obtaining a license from Bank Indonesia first.

Since the establishment of the regulation, sharia banking has begun to show a very impressive development, shown by the end of July 2012 the number of Islamic Banks (BUS) of 11 units and UUS as many as 24 units supported by 2.038 offices. Total assets collected amounted to Rp 145.6 trillion, supported by Human Resources (SDI) as many as 25.630 people. Even until the end of December 2016 the number of BUS increased to 13 units with 1.869 offices, and UUS as many as 21 pieces with 332 offices. The amount of Third Party Funds (DPK) collected amounted to Rp 279,3 trillion the amount of financing that was disbursed was Rp 250,9 trillion, bringing the total assets to Rp 356,5 trillion. In addition, there are 166 Shariah Rural Banks (BPRS) with 453 offices. The number of SDI (Human Resources) in the syariah banking industry increased to as many as 59.969 people. Graph 1.1 illustrates the composition of sharia banking assets based on bank types, namely BUS, UUS and BPRS.

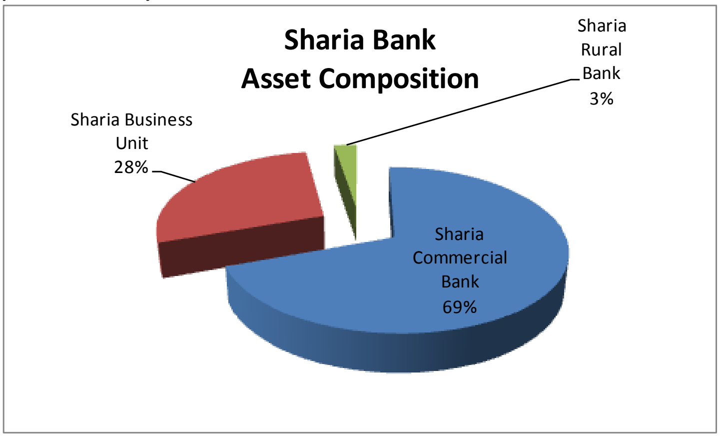


Figure 1.1
Asset Composition of Sharia Bank

Although the development of sharia banking up to now is quite encouraging, but if seen from its contribution to the national banking is still too small with a total market share of only 5.3% (total national banking assets of Rp 6.729 trillion while Islamic banking assets of Rp 356 trillion) still far from the blue print target of 10% in 2018 (10 years post-birth Act No. 21 of 2008). This is a challenge for all stakeholders (actors, regulators, government, educational institutions, religious leaders and community leaders) to continue to improve the performance of sharia banking, in accordance with their respective fields, so that the contribution of sharia banking to the national economy is increasingly large and increasingly perceived benefit by society. Table 1.1 below shows the development of sharia banking for 10 years period 2017 s.d. 2016.

Table 1.1
Financial Performance Growth of BUS and UUS
(Year, 2007 – Year, 2016)

(Rp billion)

Business Activity & Financial Performance	Year 2007	Year 2008	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014	Year 2015	Year 2016	Growth (%)
Sharia Commercial Bank (BUS)											
- Total Asset	27.28	34.03	48.01	79.18	116.9	120.7	188.9	204.96	213.42	254.18	26,42
- Total Third Party	6	6	4	6	30	05	75	1	3	4	21,46
Fund	21.96	27.73	39.62	64.33	96.54	97.77	148.9	170.72	174.89	206.40	18,55
- Total Financing	6	4	4	5	8	9	93	3	5	7	2,77
- Paid-up Capital	20.71	26.10	34.45	56.35	83.70	95.18	149.1	148.42	154.52	178.04	0,15
- Profit/Loss	7	9	2	7	4	7	39	5	7	3	0,00
- Number of BUS	1.001	1.701	1.946	5.965	6.611	6.911	8.181	19.585	23.409	26.975	0,19
- Number of Office	602	637	794	1.275	2.119	2.864	2.681	822	977	1.420	5,31
- Number of Employee	3	5	6	11	11	11	11	12	12	13	

(SDI	398 4.311	576 6.609	711 10.34 8	1.215 15.22 4	1.390 21.82 0	1.532 22.62 7	1.998 26.71 7	2.163 41.393	1990 51.413	1.869 51.110	
Sharia Business Unit (UUS)											
- Total Asset - Total Third Party Fund - Total Financing - Paid-up Capital - Profit/Loss - Number of BUS - Number of Office - Number of Employee (SDI	9.252 6.045 7.227 87 0 26 170 2.266	15.51 9 9.118 12.09 0 (52) 0 27 214 2.562	18.07 6 12.64 8 12.43 5 311 0 25 287 2.296	18.33 3 11.70 2 11.82 4 303 0 23 262 1.868	28.53 6 18.86 7 18.95 2 425 0 23 312 2.067	34.96 2 23.23 9 25.72 3 566 0 24 471 3.003	53.30 1 34.54 1 34.98 3 549 0 23 590 11.51 1	67.383 47.136 51.752 1.227 0 22 320 4.425	82.839 56.280 59.462 1.324 0 22 311 4.403	102.32 0 72.928 71.044 1.529 0 21 332 4.487	10,55 7,51 7,33 0,16 0,00 0,00 0,04 0,48

Source: BI and OJK, Indonesia Banking Statistics, Dec. 2016 (processed)

Judging from the development of Islamic banks, there is an interesting phenomenon to be observed, namely the development of financial performance BUS much better when compared with the development of financial performance UUS. Where the development over the last 10 years (2007 s.d. 2016), BUS shows the average development of financial performance of 26.42% per year, much better than the average development of UUS of 10.55% per year. Of the 13 BUS, most of its formation is through the spin-off pattern of UUS into BUS, either by establishing a new legal entity or acquisition and conversion.

Based on the exposure and phenomenon, the purpose of this research is to find out how the spin-off mechanism is implemented and whether the spin-off strategy has had a positive impact for the development of national sharia banking.

Methods

Business Model of Bank

The business model has attracted great attention from various academics and practitioners. Some experts define business models as follows. Giorgetti (1998) defines a business model as a reference model that is the basis for a new type system that has advantages over the previous approach. This system can explain the deficiencies/weaknesses of the previous system and show how to overcome the shortcomings /weaknesses of existing systems. Cristensen (2001), states that the business model as a source of all competitive advantage owned by an organization that differentiates it with the company's positioning of products in the same industry. Another notion of Chesborough in Zott and Amit (2009) defines the business model as an activity-based chain structure, creating value by defining a series of activities ranging from raw materials to raw materials to final customers, at where a predetermined value is added to the overall activity.

Some of these notions are an extension of generic theory about business models, as has been suggested by Timmer (1998), Tapscott et al. (2000), Kraemer et al. (2000). Furthermore, a comprehensive understanding of the business model proposed by Osterwalder and Pigner (2009) suggests that business models illustrate the rationale for how organizations create, deliver, and capture the values held by organizations that can be explained through 9 (nine) main generic elements / pillars (9 building blocks of business model), such as customer segment, value preposition, delivery channel, customer relationship, revenue stream, key resources, key activities, key partnership, and cost structure.

The diversification of the business model and business activities of the bank is driven by several factors: a) the bank obtains valuable information related to key bank customers that may be very useful for future prospects and complementing other business activities (Sharpe, 1990; Diamond, 1991; Rajan,1992), b) to reduce risks and obtain economic of scope banks to apply some business models (Diamond, 1984); and c) to win interbank rivalries, the bank adopts a different business model with its competitors bank and get as many customers as possible. the number.

From the existing literature, it can be recapitulated several types of business models applied in the banking industry both abroad and within the country. The types of business models can be grouped based on activity, financial purpose, customer segment, special purpose, and channel, as illustrated below (Bank Indonesia, 2012).

The establishment of a Sharia Business Unit (UUS) by a Conventional Commercial Bank (BUK) 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 providing banking and financial services to customers who can not be served by existing commercial banks, such as collided by rules and principles embraced by customers.

Spin-Off Definition

The spin-off or hive-off terminology which in Dutch Law is called splitzing, or in Australia known as demerger, is new to the legislation in Indonesia. Under the Limited Liability Company, the term spin-off is called separation, which is a legal act done by the company to separate the business resulting in all assets and liabilities of the company being transferred because the Act to 2 (two) or more companies or part of the assets and liabilities of the company is due to the Act to 1 (one) company or more.

The Black Law Dictionary defines a spin-off as a corporate divestiture in which a division of a corporation is independent of the company and stock of the company is distribute to the corporation's shareholders. While Rusdisui in Geersing (2007) states that: "A spin-off can be best described as a distribution of a majority (often 80% or more) of the shares of the subsidiary to the parent's shareholders. In case of a 100% spin-off, the divested company becomes a completely independent company, with initially the same shareholders as the parent company. After the transaction, the former parent shareholders have two securities. The shares of the parent company and the shares of the divested spinoff company". While in Act no. 21 of 2008 (Islamic Banking Act) found the term separation is the separation of a bank into two or more business entities in accordance with applicable provisions.

From some definitions above, it can be seen that separation or spin-off is a corporate action which aims to separate the former from within a legal entity, then it "splits" or "divides" by the legal recognition of the division or its cleavage. The condition of the division or division of a legal entity in the form of a limited liability company shall begin with the will of the parties contained in the agreement or agreement made by the parties having authority in the organ of the company.

Spin-off or separation as one part of corporate restructuring, is basically the act of the parent company in the separation of businesses have the same motivation with the establishment of a subsidiary. This separation will have implications on the formation of group companies or the incidence of control of one company to another company. The requirement of the formation of a group company from separation is that one company acts as a holding company controlling one or more other companies of juridical separation (Sulistiowati, 2009).

Purpose and Benefit of Spin-Off

Some considerations and reasons why companies spin-off include management reasons, capital market factors, risks, tax benefits, or regulatory reasons. Some parent companies decide to spin off subsidiaries because they believe that their business is not accurately assessed in the capital market. By spin-off allows each company to obtain capital consistently based on its own activities or each company in raising capital in accordance with the way the capital market affects the business of each company.

Parent company spin off subsidiaries to protect companies against certain risks, which are generally to stabilize the parent company's revenue. Spin-offs are risky to finance expansion based on their own tariffs of growth and projection. Spin-offs can attract new investors to spin-off companies and can increase the value of parent companies, because subsidiaries are no longer associated with it.

Spin-off can alleviate the management problems of both parent companies and subsidiaries (spinoff results), since the two companies often have different interests. Parent companies typically have large 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 resource issues in the subsidiary companies can be managed, implemented, and able to make their own decisions. The parent company can concentrate on its business activities and not burdened by the spin-off company, since the two companies are juridically separate (Tisnawan, 2009).

Spin-Off Types and Consequences

Limited Company Act (Act No. 40 of 2007) Article 135 states that separation or spin-off is differentiated from pure spin-off and quasi-spin-off. Pure separation is a separation that results in the entire assets and liabilities of the company being transferred by Act to two or more other companies that accept the transition and the company which makes the separation is subject to Act. While improper separation resulted in some of the assets and liabilities of the company to be transferred because the Act to other or more companies that received the transfers and the company that did the separation still exist.

Based on the definition, it clearly shows that the separation of assets and liabilities from a company into an independent new company (separate entity) is an essential element in the spin-off process. In practice, the separation of such assets and liabilities is generally the separation of a particular business unit (division) into a new company whose business activities can be the same or different from the original company. Referring to Sharia Banking Act (Act No. 21 of 2008) that the sharia bank Act form whether the new establishment or separation result is confirmed must be in the form of Limited Company (PT). Furthermore, it is affirmed that: "In the case of a Conventional Commercial Bank having a UUS whose asset value has reached at least 50% (fifty percent) of the total value of its parent bank assets, or 15 (fifteen) years since the enactment of this Act, the Conventional Commercial Bank shall be obliged to make the Separation of UUS into a Sharia Commercial Bank "(article 68 paragraph 1 of Act No. 21 of 2008 on Sharia Banking).

Results

Profile of Sharia Commecial Bank

Since the issuance of the provisions concerning the separation of business units or spinoff UUS (Act No. 40 of 2007 on Limited Company and Act No. 21 of 2008 on Sharia Banking), up to now there are 13 Suariah Commercial Banks (BUS), of which 7 BUS is the result of spin-off UUS, namely: PT. Bank BRI Syariah, PT. Bank Syariah Bukopin, PT. Bank Jabar Banten Syariah, PT. Bank BNI Syariah, PT. Bank BCA Syariah, PT. Bank Aceh Syariah, and PT. Bank Tabungan Pensiunan Nasional Syariah, as shown below.

Table 3.1
Profile of Sharia Commercial Bank

No.	Name of Bank	Operational	Way of Establishment
1.	PT. Bank Muamalat Indonesia	May, 1992	Establishment of new Sharia Commercial Bank (BUS).
2.	PT. Bank Syariah Mandiri	November, 1999	Acquisition and conversion of PT. Bank Susila Bakti (BUK) becames new BUS.
3.	PT. Bank Mega Syariah	July, 2004	Acquisition and conversion of PT. Bank Umum Tugu (BUK) becames new BUS.
4.	PT. Bank Bukopin Syariah	October, 2008	*Spin-off* Sharia Business Unit (UUS) Bukopin, acquisition and conversion of PT. Bank Persyarikatan (BU).
5.	PT. Bank BRI Syariah	January, 2009	*Spin-off* UUS BRI, acquisition and conversion of PT. Bank Jasa Arta (BUK).
6.	PT. Bank Panin Syariah	October, 2009	Acquisition of PT. Bank Harfa (BUK) becomes new BUS.
7.	PT. Bank Victoria Syariah	February, 2010	Conversion of PT. Bank Swaguna (BUK) becomes new BUS.
8.	PT. Bank BCA Syariah	March, 2010	*Spin-off* UUS BCA, acquisition and conversion of PT. Bank Utama Internasional Bank (BUK) becomes new BUS.
9.	PT. Bank Jabar Banten Syariah	May, 2010	*Spin-off* UUS Bank Jabar Banten, and establish of new BUS.
10.	PT. Bank BNI Syariah	June, 2010	*Spin-off* UUS Bank BNI, and establish new BUS.
11.	PT. Maybank Syariah Indonesia	October, 2010	Conversion of PT. Bank Maybank Indocorp (BUK) becomes new BUS.
12.	PT. Bank BTPN Syariah	May, 2014	*Spin-off* UUS PT. Bank BTPN, acquisition and conversion of PT. Bank Sahabat Purba Danarta (BUK) becomes new BUS.
13.	PT. Bank Aceh Syariah	September, 2016	*Spin-off* UUS and conversion of PT. Bank Aceh (BUK) becomes new BUS.

Source: From various sources (processed by author)

Of the 13 (thirteen) existing Sharia Commercial Banks, most of its founding was initiated with the opening of UUS by Conventional Commercial Bank as its parent bank. This shows that UUS spin-off policy is an option that is implemented as a strategy of developing sharia banking.

Spin-Off Implementation Mechanism

Spin-off is one form of corporate action whose implementation is regulated in Act no. 40 concerning Limited Company in Article 126, therefore its implementation shall be approved by the General Meeting of Shareholders (GMS). The implementation of the spin-off shall be executed by the board of directors, previously consulted with the creditors and approving it, which shall observe: a) a corporation, minority shareholder; b) the creditor and other partners of the company; and c) society and healthy competition in doing business.

Spin-off procedures include the following steps: 1) preparation of the company's separation, including: a) drafting the separation plan, b) the separation plan must be announced to the public through mass media, c) the creditor may file an objection; 2) the separation of the company must be based on the GMS; 3) minority shareholders who do not agree may sell their shares to the company; 4) the act of separation of the company is a legal act; 5) report to the Minister of Law and Human Rights; and 6) announced the separation of the company in the mass media. The implementation scheme of the separation can be illustrated as shown below.

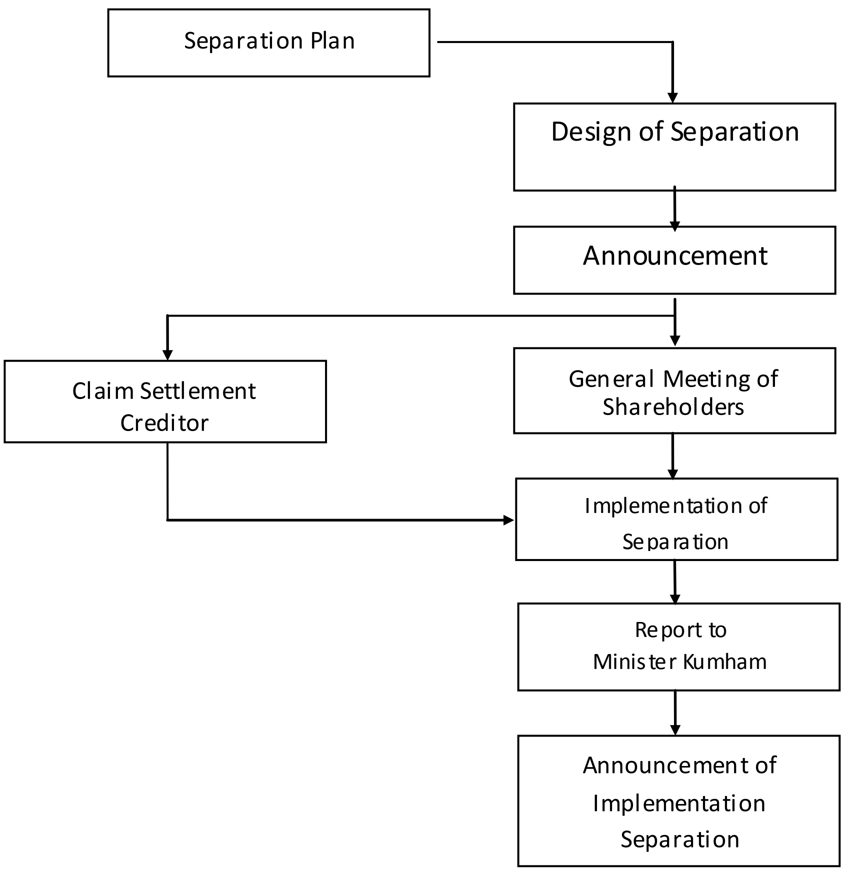


Figure 3.1
Spin-Off Implementation Scheme

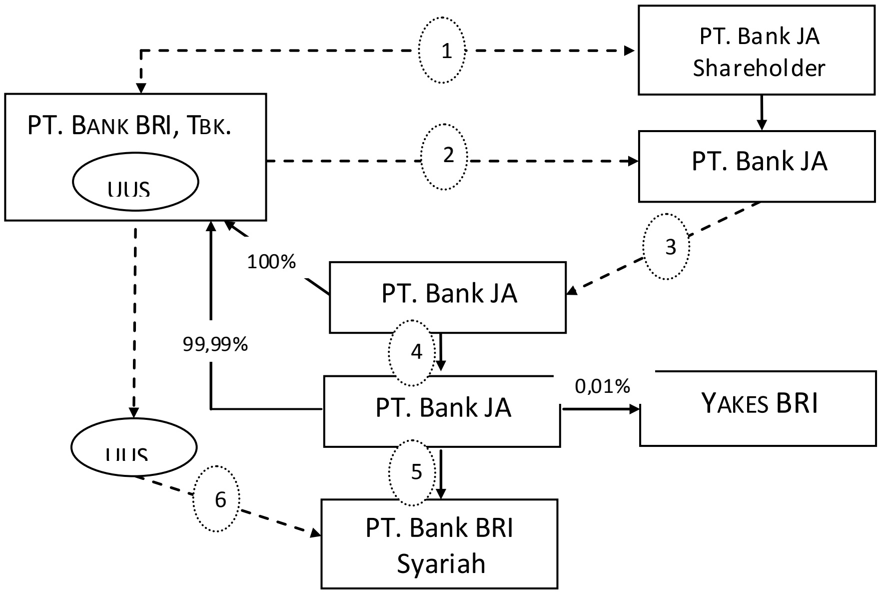
Regarding the spin-off mechanism of UUS has been regulated specifically in Bank Indonesia Regulation (PBI) Number 11/01/PBI/2009. (see Chapter IX Articles 40-54). It should be noted that PBI No.11/10/PBI/2009 concerning Sharia Business Unit. According to Article 41 there are two ways of separating UUS from BUK, first by establishing a new Sharia Commercial Bank (BUS); or second by transferring UUS rights and obligations to existing BUS.

Implementation Model of UUS Spin-Off

Referring to the applicable provisions, the UUS Spin-Off can be implemented by transferring rights and obligations to an existing BUS or by establishing a new BUS, the following two spin off models are implemented by PT. Bank BRI Syariah and PT. Bank Jabar Banten Syariah.

Spin-Off Model UUS PT. Bank BRI

Implementation of spin-off UUS PT. Bank BRI is done by acquiring a conventional Commercial Bank (BUK), namely PT. Bank Jasa Arta by PT. Bank BRI, then BUK of the acquisition result is converted to a Sharia Commercial Bank with the name of PT. Bank BRI Syariah. The next step is PT. Bank BRI transferred all the assets and liabilities of UUS PT. Bank BRI to PT. Bank BRI Syariah. The implementation mechanism is shown in Figure 3.2 below.



Gambar 3.2 ***Spin-Off*** **Scheme of SBU PT. Bank BRI**

Caption:
1 is PT. Bank BRI negotiates with Shareholders of PT. Bank Jasa Arta
2 and 3 is the acquisition of 100% shares of PT. Bank Jasa Arta by PT. Bank BRI
4 is 99.99% share ownership composition of PT. Bank BRI and 0.01% Yakes BRI
5 is the conversion of PT Bank Jasa Arta to PT. Bank BRI Syariah
6 is the transfer of UUS's assets and liabilities (spin-off) to PT. Bank BRI Syariah

Spin-Off Model UUS PT. Bank Jabar Banten

Implementation of spin-off UUS PT. Bank Jabar Banten conducted by establishing a new Sharia Bank (BUS) new, namely PT. Bank Jabar Banten Syariah by PT. Bank Jabar Banten with PT. Banten Global Development as founding partner, with 95% and 5% share ownership composition. The next step is PT. Bank Jabar Banten transferred all the assets and liabilities of UUS PT. Bank Jabar Banten to PT. Bank Jabar Banten Syariah. The implementation mechanism is shown in Figure 3.3 below.

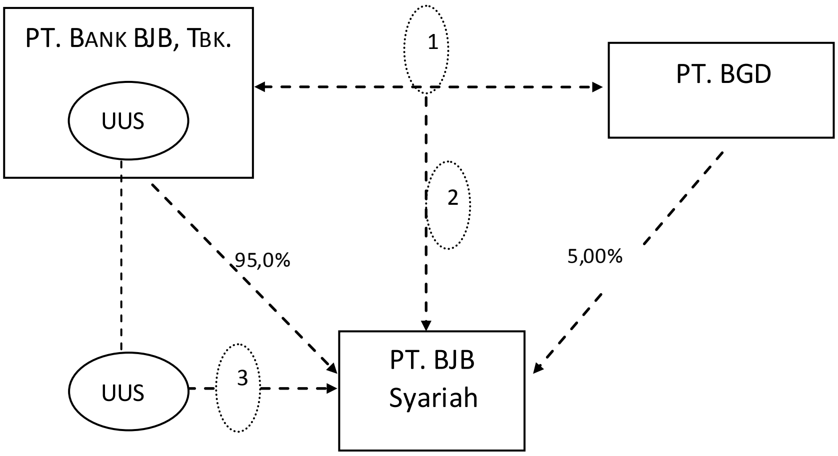


Figure 3.3 *Spin-Off* Scheme of SBU PT. Bank Jabar Banten

Caption:
1 is PT. Bank Jabar Banten to negotiate with founding partner of PT. Banten Global Development to establish BUS
2 is 95% share ownership composition of PT. Bank Jabar Banten and 5% PT. Banten Global Development
3 is the implementation of spin-off UUS PT. Bank Jabar Banten to PT. Bank Jabar Banten Syariah

Human Resource Policy (SDI)

With the implementation of the spin-off UUS will usually happen some new problems that must be addressed, so as not to disrupt the performance of banks after the spinoff. Issues experienced by BUS spin-off results such as the difficulty of changing the mindset from BUK to BUS, the difference in the competence of sharia banking between the conventional bank and the former UUS. The shortage of SDI to fill the existing positions, bringing together the SDI system, competence, performance standards, work culture, reward system which recently experienced by many sharia banks.

Therefore, post-spin-off BUS must optimize the function of SDI in order to face the challenges that will be faced for future development.Table 3.2 is an SDI strategy undertaken by several banks implementing the UUS spin-off.

Table 3.2
Human Resources Strategy

No.	Name of Bank	Human Resources Strategy
1.	Bank BRI Syariah	▪ Selection of all employees of the acquired bank in accordance with the passing grade ▪ UUS employees are given the right to choose whether to join the BUS or remain as an employee of the parent bank ▪ Recruit many new employees (pro hire) ▪ Old bank employees become a minority.

2.	Bank BJB Syariah	▪ UUS employees are given the choice of whether to join the BUS or remain as an employee of the parent bank. ▪ Selection of interested parent bank employees ▪ The transition of the status of a parent bank employee to a BUS employee is made in a tripartite agreement (BUK-employee-BUS) ▪ Official 30% elite officials come from outside (pro hire).
3.	Bank BCA Syariah	▪ Maintain all employees of the acquired bank ▪ Board of Directors of the parent bank and new recruit (pro hire).
4.	Panin Bank Syariah	▪ Lay-off of all employees of the acquired bank ▪ Recruit new employees including board of directors.

Source: From various sources (processed by author)

Benefits of Spin-Off Implementation

Based on the results of the study on the implementation of Spin-Off UUS Bank Jabar Banten to PT. Bank Jabar Banten Shariah conducted by first establishing a new Legal Entity with the name of PT. Bank Jabar Banten Syariah by PT. Regional Development Bank of West Java and Banten (Bank Jabar Banten), and spin-off UUS Bank BRI by first passing the acquisition and conversion of Bank Jasa Arta to BUS under the name of PT. Bank BRI Syariah, here are the benefits gained from the implementation of spin-off for the parent bank, UUS, employees and customers.

Table 3.3
Benefits of *Spin-off*

For the Parent Bank ▪ Bank Mains is more focused ▪ Getting capital gains ▪ Easier in coaching and supervision ▪ Demonstrate commitment and support to government programs ▪ Optimization of infrastructure.	For the Customer ▪ More confident about the purity of the implementation of sharia system ▪ Increased choice of products and services as an alternative in meeting the needs (conventional and sharia) ▪ Get better service because BUS will be more focused ▪ Accessibility is easier (increased branch network).
For Sharia Business Unit (UUS) ▪ Provide confidence to the community about the implementation of sharia compliance ▪ More focused and independent ▪ Ease in strategy setting ▪ More flexible, dynamic and productive ▪ More aggressive to grow and develop ▪ Have adequate empowerment	For Employees ▪ Provide good career path opportunities ▪ Satisfaction, tranquility and comfort of work because it can run the principles of sharia compliant sharia compliance ▪ Pride as a BUS employee is higher than UUS Division status ▪ Possible enforcement of meritocracy system (reward & punishment).

▪ Ease in employee performance measurement ▪ It is possible to do professional hire ▪ Ease of doing cost efficiency ▪ Ease of adding branch network	

Source: Document of *Spin-Off* Bank Jabar Banten Syariah (2010)

Comparison of BUS Performance with UUS

As a result of comparative study on the performance of Sharia Commercial Bank (BUS) with Sharia Business Unit (UUS), Table 3.3 shows the financial performance of BUS and UUS for the period of 10 years (2007 - 2016).

Table 3.4
Comparative Financial Performance of Sharia Commercial Banks with Sharia Business Unit (period 2007 - 2016)

Financial Performance	Sharia Commercial Bank (BUS) (Average)	Sharia Business Unit (UUS) (Average)
Total Asset	26,42 %	10,55 %
Third Party Funds (TPF)	21,46 %	7,51 %
Financing	18,55 %	7,33 %
Profit/Loss	0,15 %	0,16 %
Financing to Deposit Ratio (FDR)	86,89 %	103,53 %
Non Performing Financing (NPF)	4,74 %	3,02 %
Net Operating Margin (NOM)	0,57 %	1,96 %
Capital Adequacy Ratio (CAR)	15,57 %	-
Rasio BOPO	96,74 %	82,15 %
Return on Asset (ROA)	1,10 %	1,85 %
Number of Account TPF	15,488 million	3,033 million
Number of Financing Customers	3,361 million	0,440 million
Equivalent Rate of Return on Time Deposit 12 months	6,48 %	6,84 %

Source: Financial Service Authority-OJK, Sharia Banking Statistics (processed)

Based on Table 3.4 above it can be seen that from the aspect of BUS business activity shows better performance than UUS, seen from Total Assets, Deposits, and Financing the average growth rate is higher, also from service side BUS has 15,488 million customers and 3,361 million DPK financing customers, while UUS serves as many as 3,033 million DPK customers and as many as 0,40 million financing customers. From the implementation of BUS intermediation function better than UUS seen from the FDR BUS rate of 86.89 % is in healthy condition (healthy tolerance between 78% - 92%), while the FDR UUS of 103.53% exceeded the tolerance limit and potentially threat of liquidity risk . In terms of profitability UUS better than the BUS is seen from the growth rate of 0.16% profit, NOM ratio 1.96%, and ROA 1.85% UUS higher than the BUS. This is relevant to UUS efficiency level better than BUS shown by BOPO UUS of 82.15%, while BOPO BUS of 96.74%. In terms of management of productive assets, the UUS is better than BUS shown by the NPF UUS ratio of 3.024% lower than the BUS NPF of 4.74%. Also in terms of providing returns for customers UUS better than the BUS, which is shown with the equivalent UUS yield rate of 6.84% greater than the BUS yield of 6.48%.

Conclusion

Based on several studies that have been done can be concluded that the UUS spin-off policy as mandated by the Act has been implemented by some Conventional Commercial Bank UUS, although the amount is still small, so that the acceleration of syariah banking development and target market share is not as expected. However, if seen from the performance of BUS in general is better than UUS, especially in terms of growth of business activities and operational aspects.

Therefore, it is necessary to continue efforts for the development of sharia banking by various parties, banking practitioners, banking authorities (BI, OJK), academics, customers, clerics and community leaders, through various educational activities, socialization to improve understanding and community commitment to the development of sharia banking, so that in turn will be more perceived benefits by the wider community.

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