I-ECONOMICS: A Research Journal on Islamic Economics
ISSN 2548-5601, e-ISSN 2548-561X
Vol 11 No 2 December 2025

COMPARATIVE ANALYSIS OF FINANCIAL PERFORMACE BETWEEN BANK SYARIAH INDONESIA (BSI) AND BANK RAKYAT INDONESIA (BRI) IN THE DIGITAL BANKING ERA

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Abstract

The purpose of this study is to research and differentiate the financial performance of Bank Syariah Indonesia with Bank Rakyat Indonesia during the 2019-2023 period in the digital banking environment. The evolution of banking digitalization has led to a transformation in operational efficacy and commercial tactics. The research was designed using a descriptive quantitative strategy mobilized with financial ratios such as Return Assets, Return Equity, BOPO, Non-Performing Financing, Non-Performing Loan, Capital Adequacy Ratio.In general, the results showed that BRI had better profitability performance in terms of ROA and ROE than BSI, and showed that the former bank utilized its assets and capital more efficiently. Meanwhile, the latter bank has a better level of capital stability and NPF ratio, which indicates smarter risk management practices. In addition, digital banking has helped make both banks more efficient in many ways as it has expanded access to their services. In conclusion, the study suggests that banks should work to improve their digital infrastructure and risk management to remain competitive in the new era.

Keywords: Financial Performance, Digital Banking, Bank Syariah Indonesia, Bank Rakyat Indonesia.

INTRODUCTION

Banking is very important for the country's economy, because it is a liaison between people who have excess funds and need loans. In Indonesia, the dual banking system works together through Bank Syariah Indonesia (BSI) which uses the sharia model and the conventional Bank Rakyat Indonesia (BRI). Cutting-edge discussions and research on the comparative performance of these two banks are increasingly crucial in the rapidly growing era of digital banking.

Several studies, such as those conducted by Sari et al. (2022), have checked the profitability and risks of BSI and BRI from 2015 to 2020. As a result, BRI usually has a superior ROA and ROE, while BSI is stronger in facing credit risk during an economic crisis, thanks to the sharia profit-sharing system. Others, Paramitha and Nugroho (2021) made an exciting debate by saying that BSI's digital push through fintech is starting to catch up with technology compared to the more traditional BRI. Recent research from Adhim et al. (2023) also shows that there is fierce market competition between the strength of BRI MSME loans and the growth of BSI's ethical financing during the pandemic.

Although initially the author was hesitant that it was necessary to directly compare Islamic banks with conventional banks because of the difference in basic operating principles, this study is based on solid theoretical and empirical data. In terms of theory, the concept of agency and institutional economics explain how different governance structures (sharia rules versus profit models) interact with digital innovations to determine financial stability and efficiency (Beck et al., 2013). Empirically, data from Bank Indonesia and OJK confirm that there are performance gaps that need to be explored more deeply to support inclusive and competitive policies in Indonesia's dual banking industry.

Well, this study focuses on comparing the financial performance of BSI and BRI as the main variable, with digital banking as an external factor or moderator that influences performance indicators

Website: http://jurnal.radenfatah.ac.id/index.php/ieconomics
DOI: https://doi.org/10.19109/ieconomics.v11i2.31525

such as ROA, ROE, BOPO, NPL/NPF, and CAR. This focus shows that what is being compared is not the digital services themselves (e.g. application features or how many people use them), but how digital adoption and transformation affect the efficiency and profitability of both banks, making it a crucial link between different business structures and financial outcomes.

LITERATURE REVIEW

1. Definition and Concept of Bank Financial Performance

A bank's financial performance is a measure that reflects a bank's ability to manage resources (assets, liabilities, and capital) to generate profits, maintain liquidity, and bear risk (Kasmir, 2016). In banking studies, performance appraisals generally use financial ratios that are divided into several aspects: profitability, operational efficiency, asset quality, and capital (Rivai & Veithzal, 2013). Ratio analysis provides a quantitative picture that can be compared between periods and between banking institutions.

2. Relevant Banking Theory

Several theories help explain the dynamics of bank performance and the implications of digitalization on that performance:

a. The theory of financial intermediation posits that the main function of banks is to mobilize funds from surplus units to deficit units based on risk, time, and liquidity management. Profit margins and asset stabilization indicate the efficiency of the intermediation function (Adhim, 2011)

b. The agency theory also explains the emergence of a conflict of interest between the manager and the owner/shareholder. Considering banks, it is possible to suggest that agency issues are also relevant to the credit-making process, risk-related issues, and investment policies into digital technologies (Rivai & Veithzal, 2013)

c. A resource-based view, which states that the competitive advantage of banks and the industry is achieved through unique resources and capabilities that are difficult to replicate. The use of digital banking is a strategic resource that helps increase productivity and profitability levels if managed correctly.

d. The diffusion of the Innovation & Technology Acceptance Model (TAM) is relevant to explain the adoption of digital banking by customers and internal bank personnel. The speed of technology diffusion and perceived ease of use affect the level of use of digital applications (Rahman, 2019).

3. Digital Banking: Definition, Impact, and Mechanism of Influence on Financial Performance

Digital banking is the integration of traditional banking services with information and communication technology to provide fast, scalable, and automated electronic banking services (mobile banking, internet banking, e-wallet integration, fintech API) (Rahman, 2019). The influence of digital banking on financial performance occurs through several channels:

a. Operational efficiency, process automation, reduction of physical branch costs, and labor optimization lower BOPO and increase margins, which in turn increases ROA and ROE.

b. The digital platform's scale and market access allow for the expansion of the customer base without a proportionate increase in costs; This increases interest/expense income and drives asset growth.

c. Risk management, digital systems can support real-time credit monitoring, big data-based credit scoring and AI, thereby reducing NPLs/NPFs if implemented effectively. However, digitalization also presents new cyber and operational risks (Rahman, 2019).

d. Non-interest income, service integration (*merchant services, fee-based services*) adds sources of income other than interest or profit sharing, strengthening the revenue structure.

4. **Differences in the Operational Model of Sharia Banks vs Conventional Banks**

The difference in operational principles between Islamic and conventional banks has an impact on risk profiles, revenue structures, and responses to digitalization (Paramitha, 2018):

a. Based on the principle of financing, Islamic banks focus on profit-sharing based financing and sharia contracts (murabahah, musyarakah, mudharabah), while conventional banks use interest mechanisms. This affects earnings volatility and sensitivity to changes in interest rates.
b. Sources of income, Islamic banks are more dependent on financing margins and profit sharing; The diversity of fee-based products in some conventional banks is often greater, so conventional ones may be faster to monetize digital services.
c. Sharia compliance, the development of sharia digital products requires additional compliance mechanisms (sharia governance), which can increase the cost of technology development but also become an added value for certain segments.

5. **Related Empirical Studies (Summary of Findings)**

Previous research has shown a positive relationship between digitalization and banking efficiency: technology adoption increases efficiency and lowers BOPO (Nugroho, 2020; Suryani, 2022). However, findings on profitability are relatively variable: some large conventional banks can reap profits faster due to their scale and established IT infrastructure, while Islamic banks show improved asset quality and capital stability along with improved digital governance (Paramitha, 2018; Nugroho, 2020).

6. **Framework of Thought and Hypothesis**

Based on the theoretical foundation above, the framework states that digital banking (exogenous variables/environmental variables) influences financial performance indicators (ROA, ROE, BOPO, NPL/NPF, CAR) through efficiency channels, market access, and risk management. For the purpose of comparison between BSI and BRI, the operational hypotheses that can be tested are for example:

a. H1 = BRI has a much higher ROA and ROE than BSI during the 2019–2023 period.
b. H2 = The implementation of digital services is negatively correlated with BOPO (the higher the digitization → the lower the BOPO).
c. H3 = The level of digitalization is negatively related to NPL/NPF if followed by a good credit scoring system.
d. H4 = BSI shows a more stable CAR than BRI due to capital policy and credit conservatism.

RESEARCH METHODS

This study uses a quantitative descriptive approach that aims to compare the financial performance between Bank Syariah Indonesia (BSI) and Bank Rakyat Indonesia (BRI) in the digital banking era. This approach was chosen because it was able to provide an objective picture of the financial condition of the two banks based on measurable numerical data. This type of comparative descriptive research was used to determine the differences in profitability levels, operational efficiency, asset quality, and capital in the two banks during the 2019 to 2023 research period.

The data in this study is secondary data sourced from the annual financial statements of each bank published through the official websites of Bank Syariah Indonesia, Bank Rakyat Indonesia, and the Financial Services Authority. It consists of an income statement and annual balance sheet data that is used to calculate the financial ratio. Data collection is carried out by the documentation method, which is to collect documentary data about banks that are relevant to the bank's financial performance by searching, recording, and analyzing.

The variables and formulas used in this study are as follows:

1. **Retrun on Asset (ROA)**

ROA is used to measure a bank's ability to generate profits from all the assets it owns.The higher the ROA value indicates that the bank is more effective in utilizing assets to generate profits.

$$ROA = \frac{\text{Profit Before Tax}}{\text{Total Assets}} \times 100\%$$

2. **Return on Equity (ROE)**

ROE measures the extent to which capital invested by shareholders can provide a net profit for the bank. High ROE indicates the bank's ability to efficiently manage capital to generate profits.

$$ROA = \frac{\text{Net profit}}{\text{Own Capital}} \times 100\%$$

3. **Operating Costs to Operating Income (BOPO)**

BOPO is used to assess the level of operational efficiency of banks in carrying out their business activities. The lower the BOPO value, the more efficiently the bank can manage operational costs to generate revenue.

$$BOPO = \frac{\text{Operational Costs}}{\text{Operating Revenue}} \times 100\%$$

4. **Non-Performing Loans (NPLs) / Non-Performing Financing (NPF)**

NPL refers to conventional banks (BRI) and NPF refers to Islamic banks (BSI) as a measure of asset quality and financing risk. A high NPL/NPF ratio indicates that credit risk is increasing and the quality of the bank's assets is deteriorating.

$$NPL/NPF = \frac{\text{Problematic Loans/Financing}}{\text{Total Credit/Financing}} \times 100\%$$

5. **Capital Adequacy Ratio (CAR)**

The bank's capacity to provide sufficient capital to cover the risk of losses due to operational activities is evaluated using CAR. The bank's capital position in maintaining financial stability is stronger when the value of CAR is higher. The level of efficiency, profitability, and stability of BSI and BRI in the digital banking era can be measured and compared in this study using the five financial ratios. These formulas refer to banking financial analysis standards set by the Financial Services Authority (OJK) and Bank Indonesia (BI)

$$CAR = \frac{\text{Capital}}{\text{Risk-weighted assets}} \times 100\%$$

RESULTS AND DISCUSSION

1. **Profitability (ROA and ROE)**

Throughout the 2019–2023 period, Bank Rakyat Indonesia (BRI) continued to show a higher level of profitability than Bank Syariah Indonesia (BSI), according to the results of the financial ratio calculation.BRI's average Return on Assets (ROA) value is in the range of 2.8%–3.1%, while BSI only reaches 1.2%–1.6%. Similarly, with Return on Equity (ROE), BRI recorded an average of 14%–16%, while BSI only ranged from 9%–10%.Theoretically, the ROA ratio measures a bank's ability to generate profits from the total assets it owns, while ROE describes a bank's ability to manage capital to generate profits for shareholders (Kasmir, 2016). The high value of ROA and ROE in BRI shows that these conventional banks have more optimal managerial efficiency and resource management in creating profits.

BRI's superior performance is due to several factors. First, BRI's business scale is much larger with a wide branch network and a heterogeneous customer base, allowing for more stable diversification of income, both from interest-based and cost-based income. Second, previous digital transformation through the BRImo application has increased electronic transaction volume and reduced operational costs, which ultimately increases net profit margins.On the other hand, BSI's profitability is still relatively low because this bank is the result of the merger of three Islamic banks (BSM, BNI Syariah, and BRIS) in 2021, so the process of integrating systems, human resources, and technology is still in the adjustment stage. However, BSI showed a positive trend of increasing profit year-on-year thanks to the strengthening of BSI Mobile services and the expansion of the Islamic retail financing segment. Thus, it can be concluded that in terms of profitability, BRI is superior, but BSI shows long-term growth potential in line with the strengthening of sharia-based digital banking.

2. Operational Efficiency (BOPO)

The Operating Cost to Operating Income (BOPO) ratio is used to assess the extent to which a bank is able to efficiently manage costs to generate revenue. The results of the analysis showed that the BOPO BRI ranged from 70%–75%, while the BOPO BSI was slightly higher, namely 80%–85% According to the theory of operational efficiency (Rivai & Veithzal, 2013), the lower the BOPO value means the more efficient the bank is in controlling operational costs. The lower BOPO value in BRI shows that this bank has been able to streamline costs through business process automation and optimization of digital services. The implementation of digital banking in BRI not only reduces physical distribution costs, but also increases non-interest income from digital services such as electronic transfers, QRIS, e-commerce payments, and mobile banking.

Meanwhile, BSI's higher BOPO shows that the operational efficiency of this Islamic bank is not optimal. One of the reasons is the additional costs arising from the sharia compliance system and technological developments that must adjust sharia financing contracts (e.g. murabahah, musharakah, and ijarah). In addition, as a new entity as a result of the merger, BSI also still faces challenges in unifying the technology system and work culture of the three original banks. However, the increase in digital transactions through BSI Mobile is starting to show a gradual increase in cost efficiency.

3. Asset Quality (NPL/NPF)

The Non-Performing Loans (NPL) ratio for BRI and Non-Performing Financing (NPF) for BSI are used to measure the level of credit or non-performing financing risk. The calculation results show that BRI's average NPL is 2.8%, while BSI's NPF is lower by 2.1%.Low NPL/NPF values indicate that the quality of a bank's assets is improving, as there are fewer non-performing loans or non-performing financing. Based on OJK regulations, the maximum limit for a healthy NPL/NPF ratio is 5%, so both banks are still in excellent condition. This small difference, however, has strategic significance. Because BSI uses the principle of prudence in sharia contract-based financing, which avoids speculative financing and uses a loss-sharing system, its assets are of higher quality. Because banks and customers share accountability for business outcomes.These findings thus support the hypothesis that conventional models are more aggressive in seeking profit growth with greater risk, while Islamic financing models are more stable against credit risk.

4. Capital (CAR)

The Capital Adequacy Ratio, or CAR, helps evaluate how well a bank can hold enough capital to handle the risks from its assets. From the calculations, BSI shows an average CAR of around 22 percent. BRI is at 18 percent. Both figures are far above the minimum of 8 percent required by BI.When you look at a high CAR, it indicates the bank's stable capital and is resilient to financial problems. The higher number of BSI shows that this Islamic bank is taking a cautious stance in capital management. It also helps to make investors feel safe. On the one hand, it reflects BSI's preparedness for the growing challenges in its digital services and financing operations.

Meanwhile, BRI with a slightly lower CAR still shows a strong capital position due to the size of the total assets and equity owned. However, because BRI has a much larger credit volume, the risk capital requirements are also higher. Thus, it can be concluded that BSI excels in capital stability, while BRI is more aggressive in utilizing capital to generate profits.

5. The Impact of Digital Banking on Financial Performance

Digital banking is an exogenous environmental factor that has a strong impact on increasing efficiency and profitability in both banks. Digitalization at BRI is carried out through BRImo, or BRI Mobile Banking, and by the BRIlink platform, which connects a network of agents throughout Indonesia.The implementation of digital banking has been proven to improve transaction efficiency, expand service reach, and drive commission-based revenue growth. Digitalization will also help BRI maintain customer loyalty in the MSME segment which is the backbone of its business.

Meanwhile, Bank Syariah Indonesia (BSI) is strengthening digital transformation through BSI Mobile and the integration of sharia payment services. This digital service increases the ease of customers in transacting, while expanding the inclusion of Islamic finance in Indonesia, Although it still lags behind transaction volume compared to BRI, the increase in the use of BSI's digital application shows a positive trend towards the efficiency and growth of Islamic assets.

Overall, digital banking has proven to be beneficial in facilitating efficiency, profitability, and financial stability in both banks. However, success rates are highly dependent on the readiness of the technology infrastructure, the pace of adoption by customers, and the ability of management to manage digital operational risks.

Year	Bank	LENGTH (%)	ROE (%)	BOPO (%)	NPL/NFP (%)	CARS (%)
2019	BRI BSI	2,82 1,21	14,65 9,12	74,20 85,40	2,77 2,19	18,35 21,87
2020	BRI BSI	2,59 1,25	14,65 9,35	75,60 84,70	2,98 2,12	19,15 22,03
2021	BRI BSI	3,02 1,38	15,10 9,78	72,10 82,60	2,83 2,07	17,89 21,45
2022	BRI BSI	3,09 1,53	15,87 10,11	70,85 81,20	2,79 2,02	18,04 22,11
2023	BRI BSI	3,12 1,62	16,02 10,43	70,12 80,45	2,65 2,01	18,25 22,28

Table 1.1
Comparison of the Financial Performance of Bank Syariah Indonesia (BSI) and Bank Rakyat Indonesia (BRI) for the 2019–2023 Period

Pre-note: BSI data for 2019-2020 is the result of estimates from a combination of three state-owned Islamic banks, namely BRIS, BSM, and BNIS, before the official merger on February 1, 2021.
Source: Data processed from the Annual Publication Financial Statements of BRI and BSI (OJK. 2019-2023).

CONCLUSION

Based on the results of comparative analysis for financial performance. The analysis includes Bank Syariah Indonesia, known as BSI, and Bank Rakyat Indonesia, or BRI. It looks at the period from 2019 to 2023. From all that, you can see the obvious differences between the two banks. This arises in areas such as profitability, operational efficiency, asset quality, and capital level. Factors such as the launch of digital banking and their business models play a big role in the difference.

When it comes to profitability, think about ROA and ROE metrics. BRI came out ahead with higher and more stable numbers. It shows how conventional banks like BRI handle assets and capital well to attract solid profits. Several things support this. They have a large scale in business operations. Plus, they offer a wide range of products. And their digital banking through the BRImo application is quite established now. On the other hand, BSI has lower profitability figures overall. However, things have improved a lot since the merger was completed. Their digital push with BSI Mobile also helps. This opens up more ways for customers to connect. And it increases revenue from costs in a tangible way.

For operational efficiency, see BOPO ratio. BRI does better here with a lower cost compared to BSI. Digital technology at BRI reduces expenses for physical branches. At the same time, it increases overall productivity. BSI faces several hurdles. They integrate the sharia system, and that carries a compliance cost. Even so, efficiency continues to increase year after year.

Asset quality comes down to NPLs for BRI and NPFs for BSI. BSI stands out with a lower ratio of non-performing financing. That means their cautious approach and profit-sharing arrangements in Islamic banking protect against credit risk more effectively. BRI takes more risk from financing small and medium-sized enterprises. The loan has its own characteristics. However, BRI keeps everything within safe limits as set by the OJK.

Capital adequacy, measured by CAR, gives BSI an edge. Their structure feels stronger and more cautious than BRI. This arrangement shows BSI is ready to handle whatever comes next, financial risks and business expansion in the digital age. BRI has a slightly lower CAR but still reflects solid financial strength to support massive operational activities in the micro and retail sectors. Overall, the implementation of digital banking helps improve the efficiency, stability, and profitability of both banks. BRI benefits faster than BSI because the digital infrastructure in BRI is already established and widespread, while BSI is still in the process of accelerating towards sharia-based digital transformation.

SUGGESTION

Based on the results of this study, there are several suggestions that can be given for According to the findings of this study, some suggestions for future development can be made:

1. **For Bank Syariah Indonesia (BSI)**

The push must continue to incorporate more digital technologies. They may expand prominent sharia-friendly products, such as options for digital financing, e-wallets based on Islamic principles, and services for microfinance in the same vein. It makes sense to build an IT setup as well, while helping customers become more comfortable with digital tools. That way, the operation runs smoother overall, and the BOPO expenses start to decrease slightly.

2. **For Bank Rakyat Indonesia (BRI)**

Despite the excellent performance in BRI's financial indicators, credit risk management, in the MSME sector, must still be improved due to economic fluctuations. In addition, its cybersecurity and data privacy must be improved to meet the soaring volume of digital transactions.

ISSN 2548-5601, e-ISSN 2548-561X
Vol 11 No 2 December 2025

3. For future researchers

Future studies are encouraged to use quantitative inference methods with the help of SPSS statistical software or other related software to perform differential testing or intervariable influence testing. Thus, the results of this study can provide a stronger form of empirical evidence on the relationship between digital banking and banking financial performance in Indonesia.

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