

# Update on major players of Indonesian Islamic banking industry



INDONESIA

By Farouk Abdullah Alwyni

The Indonesian Islamic banking industry consists of 12 fully-fledged Islamic commercial banks and 22 Islamic windows of conventional banks. In addition, there are also 163 rural banks whose assets account for just around 2.7% of the total Islamic banking industry. Considering the many small sizes of Islamic rural banks, when discussing about the Islamic banking industry, the discussions tend to refer only to fully-fledged Islamic commercial banks and Islamic windows of conventional banks.

At present, there are six major players in the Indonesian Islamic banking industry. Four of them are fully-fledged Islamic banks, namely Bank Syariah Mandiri (BSM), Bank Muamalat Indonesia (BMI), Bank Rakyat Indonesia Syariah (BRIS) and Bank Negara Indonesia Syariah (BNIS) whereas the other two, Permata Syariah and CIMB Niaga Syariah, are Islamic windows. The assets of these six Islamic banks account for 67.2% of total Islamic banking assets.

Out of those six Islamic banks, BSM and BMI, which both accounted for around 43% of total Indonesian Islamic banking assets in 2015, affected significantly the overall growth of Indonesian Islamic banking assets with their ups and downs and these two banks have struggled with issues of quality assets since 2014.

Consequently, asset growth has been constrained at both banks since then. As shown in Table 1, in 2014 and 2015, BSM



experienced its slowest growth period, increasing at only around 5%. BMI even experienced negative growth in 2015, a 7.4% decline in assets to IDR57.8 billion (US\$4.43 million) in 2015 from IDR62.4 billion (US\$4.79 million) in 2014. Worse still for BMI, by August 2016, its total assets went down further to IDR52.6 billion (US\$4.03 million).

Although in terms of assets BSM and BMI are still far above the other four Islamic banks, their overall market shares have been declining over time. In 2010, the market shares of BSM and BMI were 33.3% and 22% respectively and by 2015, their market shares declined to 23.7% and 19.3% respectively.

On the other hand, BRIS, BNIS and Permata Syariah increased their

market shares to 8.2%, 7.8% and 5.1% respectively in 2015 from 7%, 6.5% and 2.3% in 2010.

Although BSM and BMI will still lead the Islamic banking industry for the next few years, their roles will not be as significant as before. Furthermore, new Islamic banking competitors will most likely narrow the gap over time and give some balance in the landscape of the Indonesian Islamic banking industry. ☺

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Table 1: Total assets of the six largest Indonesian Islamic banks

(in billion IDR)

	2010	2011	2012	2013	2014	2015	August 2016
BSM	32,482	48,672	54,229	63,965	66,955	70,370	73,607
BMI	21,443	32,479	44,206	53,724	62,442	57,172	52,615
BRI Syariah	6,856	11,201	14,089	17,401	20,341	24,230	25,340
BNIS Syariah	6,395	8,467	10,645	14,708	19,492	23,018	26,494
Permata Syariah (Islamic window)	2,274	5,255	10,646	16,259	16,137	15,240	15,741*
CIMB Niaga Syariah (Islamic window)	3,169	5,263	9,078	9,846	8,462	9,106	11,162*

Source: Figures for August 2016 are unaudited figures from Bank Indonesia (the central bank) and other figures from audited banks' financial reports.

Note: \* Permata Syariah and CIMB Niaga Syariah's figures are June 2016 figures.

\*\* As at the 14<sup>th</sup> October 2016; US\$1 = IDR13,069 (Reuters's closing rate).