

Transformation of Bank Aceh's Financial Performance: A Comparative Analysis Before and After Sharia Conversion

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ABSTRACT

This study aims to analyze and compare the financial performance of PT Bank Aceh Syariah before and after conversion in 2016, with a research time span from 2009 to 2023. The research method uses a quantitative descriptive approach with financial ratio analysis, namely LDR / FDR, NPL / NPF, ROA, ROE, NIM / NOM, and BOPO. Data were taken from Bank Aceh's quarterly financial statements and analyzed using the Paired Sample t-Test test with the help of Minitab 19 software. The results showed that the conversion had a mixed impact on financial performance. LDR/FDR and NPL/NPF ratios increased, while ROA, ROE, NIM/NOM, and BOPO ratios decreased. The findings indicate that banking system changes can have both positive and negative effects, depending on the implementation strategy and external economic conditions. The implications of this study provide new insights into the impact of bank conversion from conventional to sharia system on financial performance, while emphasizing the importance of internal and external factors in its success. In addition, the results of this study encourage Bank Aceh Syariah to conduct regular evaluations, strengthen risk management, and improve operational efficiency to maintain competitiveness and long-term financial performance stability.

Keywords: Financial Performance, Bank Aceh Syariah, Conversion, Financial Comparison, Financial Ratios

ABSTRAK

Penelitian ini bertujuan menganalisis dan membandingkan kinerja keuangan PT. Bank Aceh Syariah sebelum dan sesudah konversi pada tahun 2016, dengan rentang waktu penelitian dari tahun 2009 hingga 2023. Metode penelitian menggunakan pendekatan deskriptif kuantitatif dengan analisis rasio keuangan, yaitu LDR/FDR, NPL/NPF, ROA, ROE, NIM/NOM, dan BOPO. Data diambil dari laporan keuangan triwulanan Bank Aceh dan dianalisis menggunakan uji Paired Sample t-Test dengan bantuan perangkat lunak

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Minitab 19. Hasil penelitian menunjukkan bahwa konversi memberikan dampak beragam terhadap kinerja keuangan. Rasio LDR/FDR dan NPL/NPF mengalami peningkatan, sementara rasio ROA, ROE, NIM/NOM, dan BOPO menunjukkan penurunan. Temuan ini mengindikasikan bahwa perubahan sistem perbankan dapat memberikan pengaruh positif maupun negatif, bergantung pada strategi implementasi dan kondisi ekonomi eksternal. Implikasi penelitian ini memberikan wawasan baru tentang dampak konversi bank dari sistem konvensional ke syariah terhadap kinerja keuangan, sekaligus menegaskan pentingnya faktor internal dan eksternal dalam keberhasilannya. Selain itu, hasil penelitian ini mendorong Bank Aceh Syariah untuk melakukan evaluasi berkala, memperkuat manajemen risiko, serta meningkatkan efisiensi operasional guna menjaga daya saing dan stabilitas kinerja keuangan jangka panjang.

Kata Kunci: Kinerja Keuangan, Bank Aceh Syariah, Konversi, Perbandingan Keuangan, Rasio Keuangan

A. INTRODUCTION

Banking plays a very important role in the global economy, both as an intermediary institution and as a key driver in creating stable economic growth. As financial institutions, banks receive funds from the public in the form of deposits or savings, then channel them back in the form of loans, financing, or other services that aim to improve the welfare of the community. Banks also have a very vital function in providing various services, such as lending, money management, safe storage of valuables, as well as business financing and other services. In the context of a country's economy, the stability of the banking sector is often an indicator of the stability of the economy itself. Therefore, the banking sector plays a very important role in supporting national economic growth (Allen, F., & Gu, 2023).

In Indonesia, there are two different banking systems, namely conventional banking and Islamic banking. These two systems are implemented with different operational principles. Conventional banking operates based on national and international laws, and applies the interest system in its financial transactions. In contrast, Islamic banking operates based on the principles of Islamic law contained in the Qur'an and Hadith, using profit-sharing contracts or nisbah, and does not charge interest in every financial transaction. One of the significant differences between the two is the aspect of supervision. Islamic banks are not only supervised by the Financial Services Authority (OJK), but also by the National Sharia Council (DSN) and Sharia Supervisory Board (DPS). The system implemented by Islamic banks provides advantages in terms of ethics, sustainability, and resilience to economic crises (Thamrin Abdullah, 2018).

The development of Islamic banking in Indonesia shows a positive trend, especially after the 1998 monetary crisis, which caused the failure of a number

of conventional banks due to the implementation of the interest system. The success of Islamic banking in facing this crisis confirms that the Islamic banking system has better resilience than conventional banks. This opens up opportunities for Islamic banking to grow more rapidly, and catch up with established conventional banks (Irham Fahmi, 2014).

Bank Aceh, as one of the important institutions in the Indonesian banking system, undertook a major transformation of its operations in 2016. Based on the decision of the Extraordinary General Meeting of Shareholders (EGMS) held on May 25, 2015, Bank Aceh submitted a proposal to the Financial Services Authority (OJK) to transition from a conventional banking system to sharia banking. The proposal was approved on September 1, 2016, marking Bank Aceh's official transition to an Islamic bank. This change has had significant impacts, one of which is the increase in the market share of Islamic banking in Indonesia by 5%, which is a major increase in the history of the development of Islamic banking in Indonesia (Bank Aceh).

While the transition to Islamic banking has had a positive impact, the COVID-19 pandemic has presented major challenges, especially for the banking sector. The pandemic affected people's purchasing power, increased unemployment, and created economic uncertainty that impacted the financial performance of banks, including Bank Aceh Syariah. Financial ratios such as ROA and ROE have decreased due to reduced credit demand and increased credit risk (NPF). In this context, Islamic banks that are still adapting to the new system face the need to implement more flexible and innovative strategies, such as digital innovation, financing flexibility, and continuous evaluation to maintain stability in a crisis situation (Allen, F., & Gu, 2023). The pandemic also forced the implementation of social restrictions, restrictions on economic activities, as well as work from home (WFH) policies that directly reduced economic activity. As a result, the banking sector, including Islamic banks, faces major challenges related to operations, expansion, and sustainability of growth (IMF Policy Papers, 2023).

As an intermediary institution, banks must maintain customer trust in order to continue to function effectively. This trust relies heavily on stable financial performance, which is reflected in various financial indicators such as liquidity, profitability and efficiency ratios. Good financial performance shows how effective a bank is in carrying out its intermediary function, supporting economic growth, and facing external challenges such as the COVID-19 pandemic. Therefore, it is very important to analyze the financial performance of banks, both before and after the transition from conventional banking to Islamic banking (Andriyani et al., 2021).

To analyze the financial performance of Bank Aceh, the following table presents a comparison of several key financial ratios before and after conversion to Islamic banking:

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Table 1. Financial Performance of Bank Aceh Before and After Conversion

Period	Before Sharia Conversion					
	LDR	NPL	ROA	ROE	NIM	BOPO
2011 Q 1	93,92	2,50	2	12,48	6,17	88,71
2011 Q 2	88,59	2,30	2,41	15,27	6,45	81,96
Period	After Sharia Conversion					
	LDR	NPL	ROA	ROE	NIM	BOPO
2018 Q 1	70,49	0,13	2,50	20,56	2,04	76,76
2018 Q 2	61,72	0,15	2,40	20,24	1,89	76,81

Source: Bank Aceh Annual Report Period 2011-2018

Based on the table above, it can be seen that there were significant changes in some of Bank Aceh's financial ratios before and after the conversion. For example, the Loan to Deposit Ratio (LDR) decreased from 93.92 in Q1 2011 to 61.72 in Q2 2018, while the Non Performing Loan (NPL) ratio dropped drastically from 2.50 to only 0.15. Return on Assets (ROA) and Return on Equity (ROE) ratios also experienced a significant increase, indicating an improvement in the bank's financial performance after switching to Islamic banking (Novita Widyaningsih, Ahmad Lutfi, 2022).

In the context of Islamic banking in Indonesia, this study fills an open research gap, namely the lack of studies that compare in depth the financial performance of banks before and after conversion. Although there is a lot of literature that discusses the performance of Islamic banks in general, studies that examine the comparison of financial performance after conversion from conventional to Islamic banks, especially in Indonesia, are still rare. A number of previous studies have shown that the conversion of conventional banks to Islamic banks can have a significant impact on financial performance, although the results vary depending on the external and internal factors that affect the bank (Hasan, M. M., & Ali, 2021). Through this study, it is expected to enrich the existing literature by providing a deeper understanding of the impact of conversion on financial aspects, such as profitability, liquidity, and operational efficiency of Islamic banks. This study also aims to identify factors that influence performance differences, such as risk management and macroeconomic conditions. Therefore, the findings of this study are expected to provide useful guidance for Islamic banks in designing strategies to improve post-conversion performance, as well as for regulators in strengthening supervision of the sector. The study may also provide relevant recommendations for Bank Aceh and other financial institutions in the face of global economic challenges. Thus, it is expected that this study can make a significant contribution to the development of Islamic banking in Indonesia, particularly in improving the competitiveness and resilience of the banking sector amid global economic challenges.

B. THEORY

Financial performance refers to the evaluation of the achievements obtained by the company in a certain period of time which has an impact on the company's health condition. Financial performance can be measured through various indicators, such as profitability, liquidity, and efficiency, each of which provides a clear picture of the company's ability to manage resources to achieve its financial goals. Evaluation of financial performance is also very important in identifying the strengths and weaknesses of the company, as well as the basis for strategic planning and decision making (Sutanto, 2024). In addition, financial performance can be examined through financial indicators analyzed from the financial statements published by the company, either on the company's official website or through other sites, such as the Financial Services Authority (OJK). By analyzing financial statements on a regular basis, companies can monitor their financial health, identify growth opportunities, and anticipate future business challenges. The ratios that will be used in this study include the following:

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

Loan to Deposit Ratio/Financing to Deposit Ratio (LDR/FDR), is a ratio used to measure the amount of the Bank's third party capital issued for credit/financing (Muhammad, 2005).

The formula or formulation of the FDR ratio is as follows:

$$\text{FDR} = \frac{\text{Total Financing}}{\text{Total Third Party Funds (Deposits)}} \times 100\%$$

Net Performing Loan/Non Performing Financing (NPL/NPF)

Net Performing Loan/Non Performing Financing is a credit/financing risk that measures the bank's ability to disburse financing to customers and manage non-performing financing. Non-performing financing is usually divided into three categories: substandard, doubtful, and loss (Wangsawidjaja, 2012).

The formula or formulation of the NPF ratio is as follows:

$$\text{NPF} = \frac{\text{Non Performing Financing}}{\text{Total Financing}} \times 100\%$$

Return On Asset (ROA)

Return On Asset (ROA) is a ratio used to see a bank's ability to generate profit or profitability as a whole (Sofyan S. Harahap, 2016).

The formula or formulation of the ROA ratio is as follows:

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

Return On Equity (ROE)

Return On Equity (ROE) is a ratio used to measure the profit or loss that will be obtained by shareholders compared to the profit or loss that will be obtained by the bank, which means this ratio shows how much profit and loss investors will receive from the capital invested. (Suad Husnan dan Enny Purnamasari, 2023).

The formula or formulation of the ROE ratio is as follows:

$$\text{ROE} = \frac{\text{Net Profit}}{\text{Total Equity}} \times 100\%$$

Net Interest Margin/Net Operating Margin (NIM/NOM)

Net Interest Margin/Net Operating Margin (NIM/NOM) is a ratio used to measure how well the bank's ability to manage its productive assets in making a profit (Andersen, J., dan Smith, 2022).

The formula or formulation of the NOM ratio is as follows:

$$\text{NOM} = \frac{\text{Net Income}}{\text{Average Earning Assets}} \times 100\%$$

Operating Expenses to Operating Income (BOPO)

Operating Expenses to Operating Income (BOPO) is a ratio used to measure the operating expenses incurred by a bank against the operating income earned by a bank (Jumingan, 2011).

The formula or formulation of the BOPO ratio is as follows:

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

C. RESEARCH METHODS

This type of research is descriptive quantitative research with a focus on analyzing the financial performance of PT Bank Aceh Syariah. The assessment of financial performance was conducted by comparing the condition before and after the conversion from conventional system to sharia system as a whole. To test the validity of the data and identify significant performance patterns, this study used several statistical tests, including the Normality test to check the distribution of data, the Paired Sample t-Test to compare differences in financial performance before and after conversion, and the Homogeneity test to check the similarity of variances between data groups. In addition, linear regression tests were used to analyze the relationship between financial variables that affect bank performance. Bank health analysis refers to financial ratios such as LDR/FDR, NPL/NPF, ROA, ROE, NIM/NOM, and BOPO. In this way, this study

aims to provide a clearer picture of the impact of conversion on the financial performance of Bank Aceh Syariah. The data used in this study is secondary data sourced from the official website of Bank Aceh at www.bankaceh.co.id. The time series data comes from the financial statements of Bank Aceh for the period 2009 to 2023. The data collection technique was carried out through document studies, namely by using annual quarterly reports published by Bank Aceh Syariah during the period.

D. RESULTS AND DISCUSSION

Descriptive Statistics of Financial Performance Before Conversion

Table 2. Descriptive Statistical Test Results of Financial Performance Before Conversion

Variable	Total Count	N*	Mean	SE Mean	StDev	Variance	Sum	Min	Median	Max
LDR	29	0	77,77	2,18	11,75	138,02	2255,47	50,83	78,39	93,92
NPL	29	0	1,594	0,133	0,718	0,515	46,220	0,810	1,430	3,820
ROA	29	0	3,428	0,157	0,848	0,719	99,420	1,800	3,330	5,150
ROE	29	0	24,21	1,28	6,92	47,85	701,98	11,56	23,63	44,47
NIM	29	0	7,509	0,146	0,787	0,620	217,770	6,170	7,330	10,160
BOPO	29	0	73,06	1,55	8,37	70,00	2118,67	56,88	73,14	92,98

Source: Minitab processed data, 2024

Based on the table above, the value of the LDR ratio before the conversion of Bank Aceh to the sharia system showed significant fluctuations. The highest LDR value was recorded at 93.92% in the first quarter of 2011, while the lowest value of 50.83% occurred in the second quarter of 2009. With an average (mean) value of 77.77%, the LDR ratio before this conversion can be categorized in good condition, in accordance with Bank Indonesia standards which set the ideal range of LDR at $75\% < \text{LDR} \leq 85\%$.

Meanwhile, the NPL ratio before conversion showed the highest peak of 3.82% in the third quarter of 2010, while the lowest value was recorded at 0.81% in the fourth quarter of 2015. With an average NPL value of 1.59%, this ratio falls into the excellent category in accordance with Bank Indonesia's standard which sets the ideal NPL to be below 2% ($\text{NPL} < 2\%$).

In terms of profitability, the ROA ratio before conversion reached the highest value of 5.15% in the first quarter of 2010, while the lowest value of 1.80% occurred in the fourth quarter of 2015. The average ROA ratio of 3.42% shows a very good performance, referring to the Bank Indonesia standard which sets the ideal ROA greater than 1.5% ($\text{ROA} > 1.5\%$).

Furthermore, the ROE ratio value before conversion recorded the highest figure of 44.47% in the second quarter of 2009, with the lowest value of 11.56% in the fourth quarter of 2010. Based on the average value of 24.21%, Bank Aceh's

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ROE ratio before conversion was also classified as very good, as per Bank Indonesia's standard which sets the ideal ROE at more than 12% (ROE > 12%).

In the NIM ratio, the highest value before conversion reached 10.16% in the first quarter of 2010, while the lowest value was 6.17% in the first quarter of 2011. With an average value of 7.50%, the NIM ratio is categorized as very good according to Bank Indonesia's standard, which sets the ideal NIM to be greater than 3% (NIM > 3%).

Finally, on the efficiency aspect, the BOPO ratio before conversion showed the highest value of 92.98% in the fourth quarter of 2010, while the lowest value was recorded at 56.88% in the first quarter of 2009. Based on the average value of 73.06%, this BOPO ratio can be categorized as very good, in accordance with Bank Indonesia's standard which sets the ideal BOPO at $\leq 94\%$.

Overall, the financial indicators prior to Bank Aceh's conversion to sharia were stable and consistent with national banking standards, reflecting Bank Aceh's readiness for the transition to sharia.

Descriptive Statistics of Financial Performance After Conversion

Table 3. Descriptive Test of Financial Performance After Conversion

Variable	Total Count	N*	Mean	SE Mean	StDev	Variance	Sum	Min	Median	Max
FDR	29	0	70,79	1,24	6,65	44,24	2052,82	57,04	70,82	88,59
NPF	29	0	0,1069	0,0140	0,0755	0,0057	3,1000	0,0300	0,0700	0,2700
ROA	29	0	1,997	0,115	0,617	0,381	57,900	0,410	1,940	3,400
ROE	29	0	16,55	1,01	5,42	29,34	479,86	3,47	15,72	23,44
NOM	29	0	0,681	0,345	1,855	3,443	19,740	-4,760	1,280	2,910
BOPO	29	0	80,16	1,01	5,47	29,87	2324,57	69,69	78,54	93,86

Source: Minitab processed data, 2024

Based on the table above, the value of the FDR ratio after sharia conversion reached the highest figure of 88.59% in the fourth quarter of 2017. Conversely, the lowest value was recorded at 57.04% in the second quarter of 2019. With an average value (mean) of 70.79%, Bank Aceh's FDR ratio after sharia conversion is included in the very good category. This is in accordance with the FDR ratio standard set by Bank Indonesia, which is $50\% < \text{FDR} \leq 75\%$.

Meanwhile, the value of the NPF ratio after sharia conversion showed the highest figure of 0.27% in the second quarter of 2019, while the lowest figure was recorded at 0.03% in the fourth quarter of 2021. With an average (mean) value of 0.10%, Bank Aceh's NPF ratio after sharia conversion is classified as very good. This is in line with the NPF ratio standard set by Bank Indonesia, which is $\text{NPF} < 2\%$.

Furthermore, the value of the ROA ratio after sharia conversion reached a high of 3.40% in the first quarter of 2017, while the lowest value was recorded at 0.41% in the third quarter of 2016. Based on the average value (mean) of 1.99%,

Bank Aceh's ROA ratio after sharia conversion can be categorized as very good. This is in accordance with the ROA ratio rating set by Bank Indonesia, which is $ROA > 1.5\%$.

In the ROE ratio, the highest value after sharia conversion was recorded at 23.44% in the fourth quarter of 2019, while the lowest value of 3.47% occurred in the fourth quarter of 2016. With an average value (mean) of 16.55%, Bank Aceh's ROE ratio after sharia conversion is also included in the very good category. This is in accordance with the ROE ratio standard set by Bank Indonesia, which is $ROE > 12\%$.

However, in the NOM ratio, the highest value after sharia conversion was recorded at 2.91% in the first quarter of 2017, while the lowest value reached -4.76% in the third quarter of 2016. With an average (mean) value of 0.68%, Bank Aceh's NOM ratio after sharia conversion falls into the unfavorable category. This is in accordance with the NIM ratio rating set by Bank Indonesia, which is $NIM \leq 1\%$.

Finally, in the BOPO ratio, the highest value after sharia conversion reached 93.86% in the third quarter of 2016, while the lowest value was recorded at 69.69% in the first quarter of 2017. Based on the average value (mean) of 80.16%, Bank Aceh's BOPO ratio after sharia conversion is classified as very good. This is in line with the BOPO ratio rating set by Bank Indonesia, which is $BOPO \leq 94\%$.

Data Analysis Test Results

Normality Test

Table. 4 Normality Test

Variables	P Value Normality Test	
	Before Conversion	After Conversion
LDR/FDR	0,150	0,150
NPL/NPF	0,010	0,010
ROA	0,150	0,055
ROE	0,018	0,077
NIM/NOM	0,019	0,010
BOPO	0,150	0,150

Source: Minitab processed data, 2024

Based on the table above, it can be seen that the LDR/FDR, ROA, and BOPO variables have a p-value greater than 0.05, both on the data before conversion and after conversion. Therefore, it can be concluded that the three variables are normally distributed, so hypothesis testing is carried out using the *Paired Sample T-Test*.

In contrast, the NPL/NPF and NIM/NOM variables have a p-value smaller than 0.05, both in the data before and after conversion. Thus, it can be concluded that these two variables are not normally distributed, so hypothesis testing is carried out using the *Wilcoxon Signed Rank Test*.

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As for the ROE variable, the data before conversion has a p-value smaller than 0.05, so it is concluded that the distribution is not normal. Meanwhile, ROE data after conversion has a p-value greater than 0.05, so it is concluded that the distribution is normal. Thus, hypothesis testing of the ROE variable is carried out using the Wilcoxon Signed Rank Test because the data before conversion is not normally distributed.

Hypothesis Test

Table. 5 Hypothesis Test

Variables	P-Value	
	<i>Paired Sample t-Test</i>	<i>Wilcoxon Signed Rank Test</i>
LDR/FDR	0,02	
NPL/NPF		0,00
ROA	0,00	
ROE		0,00
NIM/NOM		0,00
BOPO	0,00	

Source: Minitab processed data, 2024

Based on the results of the analysis using the Paired Sample t-Test and Wilcoxon Signed Rank Test, an overview of the differences in financial performance at Bank Aceh Syariah before and after conversion to the sharia system is obtained. In the LDR / FDR variable, the Paired Sample t-Test test results show a Sig (2-tailed) value of 0.02 (less than 0.05), so there is a significant difference between LDR before conversion (77.77%) and FDR after conversion (70.79%). This difference results in an average difference of 6.98%, which indicates that the FDR ratio after conversion is better.

Furthermore, the Wilcoxon Signed Rank Test results for the NPL/NPF variable show a Sig (2-tailed) value of 0.00, which also indicates a significant difference. The average NPL before conversion was 1.59, while the average NPF after conversion was 0.01, with a difference of 1.58. This shows that the NPF ratio after the conversion is better. For the ROA variable, the Paired Sample t-Test results show a Sig (2-tailed) value of 0.00, indicating a significant difference. The average ROA before conversion is higher than after conversion.

On the ROE variable, the Wilcoxon Signed Rank Test results show a Sig (2-tailed) value of 0.00. The average ROE before conversion is 24.21, while after conversion is 16.55, with a difference of 7.66, which indicates that ROE performance before conversion is better. For the NIM/NOM variable, the Sig (2-tailed) value of 0.00 indicates a significant difference. The average NIM before conversion is 7.50, while the average NOM after conversion is 0.68, with a difference of 6.82. This shows that NIM performance before conversion is better.

Finally, on the BOPO variable, the Paired Sample t-Test results show a Sig (2-tailed) value of 0.00, which indicates a significant difference. The average BOPO before conversion was 73.06, while the average BOPO after conversion increased to 80.16, with a difference of -7.1. This indicates that operational efficiency was better before the conversion.

Overall, this analysis illustrates that there are significant differences in all financial performance variables before and after conversion, with some indicators showing improved performance, while others show a decline after conversion.

Comparison of Financial Performance Before and After Conversion

Table. 6 Comparison of Financial Performance

Variables	Average		Hasil
	Before Conversion %	After Conversion %	
LDR/FDR	77,77	70,79	There is a significant difference
NPL/NPF	1,59	0,01	There is a significant difference
ROA	3,32	1,99	There is a significant difference
ROE	22,75	17,25	There is a significant difference
NIM/NOM	7,50	0,680	There is a significant difference
BOPO	73,06	80,16	There is a significant difference

Source: Minitab processed data, 2024

The results showed that there was a significant difference in the LDR/FDR ratio before and after the conversion of Bank Aceh to the sharia system. The average LDR before conversion was 77.77%, which decreased to 70.79% after conversion, with a significance value of 0.000. This decrease reflects Bank Aceh's efforts to improve liquidity efficiency and adjust the LDR/FDR ratio in accordance with BI standards (50%-75%). Research by Sovia et al. shows that Islamic banks tend to be more efficient in channeling financing because they are based on prudential principles (Sovia Siregar, Andi Susanto, 2016). In addition, Asraf et al. revealed that Islamic banks are usually more conservative in maintaining liquidity (Muhammad Asraf, Laila Nurhayati, 2019), while Yulia et al. found that Islamic banks have better resilience in maintaining liquidity stability, especially in the midst of crises such as the COVID-19 pandemic (Dwi Yulia, Faisal Rahman, 2020). With a better FDR ratio, Bank Aceh is expected to strengthen public confidence in the Islamic banking system.

Furthermore, Bank Aceh's NPL/NPF ratio showed a significant decrease from 1.59% before conversion to 0.01% after conversion, with a significance value of 0.000. This result reflects the success of better financing risk management after switching to the sharia system. According to research by (Budianto, A., Siregar, H., & Setiawan, 2020), conversion to sharia system reduces the level of non-performing financing due to the application of the precautionary principle in sharia contracts. (Budiono, 2019) noted that risk

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mitigation strategies in Islamic banks are more effective than conventional banks, while (Asraf, M., Fadilah, N., & Hamidi, 2021) found that Islamic banks have lower NPF rates due to strict financing selection. This decline is also in line with the views of (Muksal, 2024), who pointed out that financing restructuring in Aceh Islamic banks successfully improved asset quality and financial stability.

Meanwhile, the results also showed that Bank Aceh's ROA ratio decreased from 3.32% before conversion to 1.99% after conversion, with a significance value of 0.000. Although it still meets BI standards ($>1.5\%$), this decline indicates challenges in the transition process to the sharia system, especially related to operational costs. (Budianto, A., Siregar, H., & Setiawan, 2020) noted that Islamic banks often experience a decline in initial profitability due to the high cost of implementing a new system. (Sovia, D., Rahmawati, A., & Maulana, 2021) explain that the income characteristics of margin-based Islamic banks often result in lower ROA than conventional banks. In addition, (Yulia, R., Lestari, T., & Ahmad, 2022) found that the COVID-19 pandemic also affected the decline in banking profitability, including Islamic banks. (Asraf, S., Nabila, M., & Hamid, 2024) also highlighted the importance of strict financing selection by Islamic banks to maintain asset quality. To improve ROA, Bank Aceh needs to optimize cost efficiency and expand sharia-based services.

Bank Aceh's ROE ratio also decreased from 22.75% before conversion to 17.25% after conversion, with a significance value of 0.000. This condition reflects the challenges faced by Bank Aceh in maintaining equity profitability during the transition to the Islamic system. According to Asraf et al, Islamic banks typically generate smaller profit margins than conventional banks, resulting in lower ROE (Muhammad Asraf, Lina Kurniawati, 2019). In addition, Sovia et al. revealed that high operating costs in the early stages of conversion were also the main cause of the decline in ROE (Sovia Siregar, Andi Susanto, 2016b). As a comparison, Yudia Putri et al. stated that conventional banks tend to have higher ROE because they earn stable interest income (Yudia Putri, Arya Setiawan, 2015). Going forward, Bank Aceh can improve operational efficiency and innovate sharia-based products to improve this ratio.

Finally, the NIM ratio before conversion stood at 7.50%, while the NOM ratio after conversion decreased dramatically to 0.68%, with a significance value of 0.000. This decline shows the huge challenge that Bank Aceh faced in maintaining margin income during the initial phase of transition. Budianto et al. noted that Islamic banks often have lower NIM/NOM ratios as they avoid usury practices and prioritize the principle of fairness (dan R. K. Teguh Budianto, Lestari Mulyani, 2021). On the other hand, Yulia et al. showed that the COVID-19 pandemic contributed to the decline in operating income of Islamic banks (Dwi Yulia, Faisal Rahman, 2020). Furthermore, Budiono highlighted that the low financial literacy of the community towards sharia products is also a challenge in increasing margin income (Hendro Budiono, 2021). Thus, Bank

Aceh needs to take strategic steps such as educating the public about sharia products, expanding access to services, and optimizing financing based on sharia contracts to increase this ratio.

E. CONCLUSIONS

Based on the results of research conducted by collecting, processing, and analyzing data related to the comparison of Bank Aceh's financial performance before and after conversion to the sharia system in the 2009-2023 period, it is concluded that there are significant differences in all financial ratios analyzed, including LDR/FDR, NPF/NPL, ROA, ROE, NIM/NOM, and BOPO.

The LDR/FDR ratio shows a significant improvement after conversion, with the FDR ratio remaining in the excellent category despite the challenges of the COVID-19 pandemic. The NPF/NPL ratio also shows a significant difference, with NPF maintained below the standards set by Bank Indonesia. For the ROA ratio, despite a decline after conversion, this ratio is still in the healthy category, signaling Bank Aceh's ability to maintain profitability. Similarly, the ROE ratio decreased but remained in the excellent category according to the standard.

The NIM/NOM ratio decreased significantly, especially after the impact of the pandemic, indicating challenges in efficient profitability management. While the BOPO ratio increased, it was still within the limits of the excellent category, signaling that operational efficiency was maintained.

Overall, despite challenges, including the impact of the pandemic, Bank Aceh managed to maintain financial stability, indicating that the conversion to sharia has had a positive impact on management and financial performance. However, there is a need to improve efficiency in certain ratios, such as NIM/NOM. As a follow-up measure, it is recommended that Bank Aceh regularly evaluates its financial performance with a focus on improving the efficiency of declining sectors, strengthening risk management, as well as developing innovative Islamic products to increase competitiveness in the market.

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