SUMMARY

HIDAYATI SARAH. Impact of Branchless Banking on Financial Performance of PT Bank Muamalat Indonesia Tbk. Supervised by IDQAN FAHMI and IRFAN SYAUQI BEIK.

Currently, a large portion of Indonesian society does not have access to financial services of banking. Based on a survey conducted by Bank Indonesia and World Bank in 2011, there are only about half of Indonesian population who have access to formal financial system. Financial Inclusion Index pointed that Indonesia had the lowest rank of 19.6% compared to the other ASEAN countries (Bank Indonesia 2013).

Branchless Banking is part of the financial inclusion program, which provides financial services performed outside bank branches using information and communication technology, as well as non-bank retail agents. Branchless Banking model is a solution that can reduce the cost of providing banking services to those who live in remote area. For example, the application of branchless Banking model in countries like Brazil use retail agencies such as supermarkets, apothecaries, and other retail agents. By using the model, it only cost a half percent compared to the cost of building a branch office (Khattab 2012).

Regulations regarding Branchless Banking in Indonesia are recently issued at the end of December 2014 by Bank Indonesia and The Financial Services Authority. Branchless Banking have been actually a familiar model for Bank Muamalat Indonesia, the first Islamic Bank in Indonesia that has been working with PT Pos Indonesia whom to be its branchless banking agent since 2004. At that time, the mission of the Bank Muamalat was to cater the society in unserved areas to save money at Islamic banks.

This study has two objectives as follows: (1) to analyze the financial performance of Bank Muamalat Indonesia before and after Branchless Banking; and (2) to formulate alternative strategies for Bank Muamalat Indonesia to improve their financial performance through Branchless Banking.

This study reveals focuses on the impact of Branchless Banking on financial performance of Bank Muamalat Indonesia based on paired sample t-test, which includes the solvability, profitability, and efficiency that are represented by the Capital Adequacy Ratio (CAR), Return on Asset (ROA), Operational Cost and Operational Income (BOPO), before and after Branchless Banking. The result shows that CAR, ROA, and BOPO after Bank Muamalat applied the Branchless Banking model. On the other hand, the liquidity which is represented by Financing to Deposit Ratio (FDR), does not differ significantly before and after Branchless Banking.

Based on the result, alternative strategies for Bank Muamalat Indonesia to improve financial performance through Branchless Banking resulted from performing SWOT analysis are to 1) perform funding to Small and Micro Entrepreneur, 2) cater more mobile banking transactions, 3) expand network cooperation with BPR and LKM, 4) improve the protection of customers, 5) make a product BSA without minimum cost 6) facilitate promotion and introduction of
branchless banking agents to the society, and 7) reduce branchless agents that are too close to branch offices of Bank Muamalat Indonesia.

Keyword: Branchless Banking, financial performance, Islamic Bank, paired sample t-test