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The Legal Benefits of Islamic Rural Bank Mergers for the Banking Industry

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Abstract

Mergers are a strategic tool widely used by the banking industry to ensure business sustainability, particularly in the face of capital constraints and increasing competitive risks. In the context of Sharia Rural Banks (BPRS), merger policies are not merely business-oriented but also carry significant legal implications for strengthening the structure of the national sharia banking industry. However, legal studies on the benefits of BPRS mergers tend to remain normative and have not yet been systematically analyzed based on the principle of legal utility. This study aims to analyze the legal benefits of BPRS mergers for the banking industry using a utilitarian approach, as well as to identify the legal and institutional challenges arising from the implementation of such mergers. The research method employed is normative legal research using a statutory approach and a conceptual approach. The legal materials analyzed include laws, regulations issued by the Financial Services Authority, as well as relevant legal doctrines and literature, which are subsequently analyzed qualitatively through deductive reasoning. The research results indicate that BPRS mergers provide concrete legal benefits, including strengthening capital structure, improving bank governance, enhancing the efficiency of supervision by the Financial Services Authority, and increasing customer confidence. Nevertheless, mergers also face challenges such as human resource integration, alignment of work culture, and the risk of short-term profitability decline. This study contributes to enriching the study of Islamic banking law by placing BPRS merger policies within the framework of the legal principle of utility in a more analytical and practical manner.

INTRODUCTION

Healthy, stable, and sustainable economic growth is one of the key indicators of the success of national development. Within the Indonesian economic system, the financial services sector, particularly banking, plays a strategic role in promoting economic growth through its intermediary function, namely the collection and distribution of funds to the public and business sectors. This role positions the banking sector as one of the primary pillars supporting the achievement of sustainable national development goals. Along with the evolving needs of society, the Indonesian banking system continues to develop and demonstrate institutional diversification, including conventional banks, Islamic banks, Rural Banks (BPR), and Islamic Rural Banks (BPRS).[1]

In recent years, BPRS institutions have experienced significant growth, particularly in regional areas, in line with increasing public awareness of sharia-based banking services. Data from the Financial Services Authority show that as of December 2025, there were 174 BPRS operating in Indonesia. BPRS institutions possess distinctive characteristics, including operational areas limited to a single province and a service focus on micro, small, and medium enterprises (MSMEs). With these characteristics, BPRS are expected to become instruments for strengthening the people's economy based on the values of justice and profit-sharing in accordance with sharia principles.

Nevertheless, in practice, BPRS institutions face various structural and operational challenges. Most BPRS are still dominated by small-scale banks with limitations in capital, human resource quality, and information technology capabilities. These conditions affect their ability to expand business operations and create difficulties in meeting the minimum core capital requirements stipulated by the Financial Services Authority. On the other hand, increasingly intense competition with other financial institutions in the MSME segment requires BPRS institutions to innovate their products and services, which demands substantial investment costs. Consequently, BPRS owners face an increasingly heavy burden of capital injection obligations.[2]

In this context, banking consolidation policies through merger schemes are regarded as one of the strategies to strengthen capital structures, improve operational efficiency, and expand the scale of banking businesses. Several previous studies indicate that mergers among Islamic banks can generate positive impacts. Research conducted by M. Masrukhan, Nadhiyah Rahmah, Winda Nur Sella, and Lu'luatul Jannah in the journal article *Literature Review: Dampak Merger Bank Syariah Indonesia (BSI) terhadap Karyawan dan*

[1] Andika Persada Putra, *Hukum Perbankan*, (Surabaya: Scopindo Media Pustaka, 2021), 2.
[2] Ahmad Rohini dan Abdul Hamid, *Lembaga Keuangan Syariah,* (Jakarta: Zikrul Hakim, 2008), 38.

Nasabah concluded that the merger forming Bank Syariah Indonesia brought significant impacts for both employees and customers. Internally, the merger encouraged changes in organizational structure, work culture, and welfare systems that required adaptation processes, while simultaneously opening opportunities for career development and competency improvement through continuous training. Meanwhile, from the customers' perspective, the merger improved the quality and comprehensiveness of services, cost efficiency, and public trust in Islamic banking, although technical obstacles emerged during the system migration process.[3]

However, these studies generally focus on economic, managerial, and service impacts, while the legal aspects of merger policies, particularly regarding legal utility, have not been comprehensively examined. In the context of BPRS institutions, which possess different institutional characteristics, business scales, and vulnerabilities compared to large Islamic banks, the normative implementation of merger policies potentially creates new problems if not critically analyzed. Therefore, a legal study is required that positions BPRS mergers not merely as instruments of regulatory compliance, but as legal policies that must be evaluated based on the principle of legal utility for the Islamic banking industry, business actors, customers, and the overall stability of the financial system.[4]

Islamic Rural Bank business actors also continuously strive to maximize profits in conducting their business activities. However, one of the most fundamental problems faced by Islamic Rural Banks is the limitation of capital from bank owners and business disparities that result in less optimal operational management overall. The amount of capital owned by Islamic Rural Banks is generally proportional to the quality of management and operational governance, whereby greater capital enables Islamic Rural Banks to employ more competent human resources, establish more advanced banking technology systems, and conduct business expansion more freely.

In Indonesia, in reality, Islamic Rural Banks are still dominated by small-scale institutions and encounter considerable difficulties in fulfilling the minimum capital requirement established by the Financial Services Authority, amounting to IDR 6,000,000,000 (six billion rupiah). Furthermore, the challenges faced by Islamic Rural Banks are exacerbated by increasingly intense business competition with other financial institutions, particularly within the micro, small, and medium enterprise (MSME)

[3] M. Masrukhan, Et.al, *Literature Review*: Dampak Merger Bank Syariah Indonesia (BSI) Terhadap karyawan dan Nasabah, *Jurnal Nuansa : Publikasi Ilmu Manajemen dan Ekonomi Syariah,* Volume 2, No. 4, Desember 2024, hlm 90.

[4] Baidhowi, Rizky Ramadhani, dan Surya Wira Yudhayana, "Implementasi Prinsip Kehati-hatian dalam Praktik Kredit Perbankan: Tinjauan Yuridis terhadap Tanggung Jawab Bank", *Jurnal Ekonomi dan Manajemen PENG,* Vol. 2 Nomor 2 Tahun 2025, 3408

segment. As a result, Islamic Rural Banks are encouraged to undertake product and service innovation, which requires substantial projected expenditures. This condition undoubtedly places a heavy burden on Islamic Rural Bank owners, who are obligated to inject additional capital into the banks in order to maintain operational flexibility. To alleviate this burden on Islamic Rural Bank owners, mergers have become one of the strategic approaches to encourage the expansion of banking business scales and maximize corporate profits. [5]

METHODS

This study employs a normative legal research method, namely research that focuses on examining prevailing legal norms with the objective of analyzing legal rules, legal principles, and legal doctrines related to the issues under study. Normative legal research was selected because this study examines the merger of Islamic Rural Banks (BPRS) as a legal policy established through statutory regulations and policies issued by banking supervisory authorities.

The specification of this research is descriptive-analytical in nature, meaning that it aims to systematically and comprehensively describe the legal provisions concerning the merger of Islamic Rural Banks while simultaneously analyzing the legal utility of such policies for the Islamic banking industry. The descriptive approach is employed to obtain a comprehensive understanding of the regulations and practices of BPRS mergers, while the analytical aspect is directed toward evaluating their effectiveness and legal implications.

The research approaches applied in this study include the statute approach and the conceptual approach. The statute approach is conducted by examining various legal provisions governing banking mergers, particularly laws and regulations issued by the Financial Services Authority concerning Rural Banks (BPR) and Islamic Rural Banks (BPRS). Meanwhile, the conceptual approach is utilized to examine legal concepts, principles, and theories, particularly the theory of legal utility (utilitarianism), as the analytical framework for assessing BPRS merger policies.

The legal materials used in this study consist of primary legal materials in the form of laws and regulations issued by the Financial Services Authority, as well as secondary legal materials including legal literature, scientific journals, and expert opinions relevant to the research topic. Furthermore, the analysis of legal materials is conducted qualitatively through methods of legal interpretation and deductive reasoning, namely

[5] Abdul Kadir Muhammad, *Hukum Perseroan Indonesia*, (Bandung: Citra Aditya Bakti, 2002), 140.

by drawing conclusions from general legal norms to the specific issues examined in this study.

RESULT AND DISCUSSION

1. The Practice of Implementing Merger Licensing for Islamic Rural Banks at the Financial Services Authority

Theoretically, merger practices in the corporate world, including the banking sector, are based on the concept of synergy, namely the assumption that the merger of two or more entities will generate greater added value than if those entities operate separately. This concept positions mergers as strategic instruments for achieving efficiency, improving performance, and strengthening corporate competitiveness. In the banking context, synergy is measured not only from financial aspects, but also from operational, managerial, and risk management perspectives. Nevertheless, the concept of synergy remains theoretical and normative in nature, meaning that its implementation in practice largely depends on institutional readiness and the governing regulatory framework. Therefore, the translation of the synergy concept into merger licensing policies, particularly for Islamic Rural Banks (BPRS), must be critically examined to assess whether the expected benefits can genuinely be realized.[6]

The regulation of mergers within the Indonesian legal system fundamentally derives from corporate law as stipulated in Law Number 40 of 2007 concerning Limited Liability Companies and Government Regulation Number 27 of 1998. These regulations were designed to govern corporate mergers in general, with a primary orientation toward legal certainty and shareholder protection. However, the application of this corporate legal framework within the banking sector, particularly for BPRS institutions, creates its own set of challenges. BPRS institutions are not merely profit-oriented business entities, but also financial intermediary institutions that carry social functions and responsibilities for maintaining financial system stability. Consequently, merger licensing practices that rely solely on the corporate law framework risk overlooking the distinctive characteristics of BPRS institutions as community-based and sharia-based financial institutions.[7]

Within the context of Islamic banking, BPRS mergers involve not only the consolidation of legal entities, but also the integration of values, sharia principles, and governance in accordance with prudential principles. The Financial Services Authority,

[6] Powell Gian Hartono, Dwiarko Nugroho, dan Anang Kistyanto, "Merger dan Akuisisi sebagai Strategi Korporasi: Implikasi terhadap Profitabilitas, Likuiditas, Efisiensi Aset, dan Struktur Modal di Indonesia", *Jurnal Ekonomi Digital* Vol.4 No.1 2025, 56

[7] Abdul R. Saliman, *Hukum Bisnis Untuk Perusahaan*, (Jakarta: Kencana Prenadamedia, 2005), 109.

as the authority responsible for granting merger licenses for BPRS institutions, holds a strategic position in ensuring that the merger process not only fulfills administrative and capital requirements, but also guarantees the business sustainability of the merged bank. However, in practice, merger licensing by the Financial Services Authority tends to focus on structural and quantitative aspects, such as compliance with minimum core capital requirements and ownership consolidation, while the quality of post-merger management receives less comprehensive evaluation.[8]

The objectives of mergers frequently articulated in legal doctrine and economic literature, such as maintaining corporate existence, strengthening capital structures, increasing profits, and reducing competition, are fundamentally rational corporate objectives. However, within the context of BPRS institutions, these objectives are not always aligned with the institutional and market realities they face. BPRS institutions generally operate on a small scale, serve local MSMEs, and maintain strong ties with local communities. Mergers aimed at creating larger banking entities potentially shift the orientation of BPRS institutions from community-based services toward a more centralized corporate approach, thereby reducing accessibility and service proximity for small-scale customers.[9]

The implementation of BPRS consolidation policies by the Financial Services Authority is also motivated by efforts to maintain financial system stability and enhance the resilience of the national banking sector in facing global competition. This argument aligns with the views of several scholars who position mergers as strategies for confronting trade liberalization and external pressures. Critically, however, macro-level financial system stability is not always synonymous with the success or welfare of banks at the micro level. In the case of BPRS institutions, the consolidation of several small banks into one large entity does not automatically guarantee increased efficiency or service quality unless accompanied by managerial readiness and comprehensive integration strategies.[10]

Empirical studies regarding the rationality of mergers, as presented by Stephen A. Rhoades as well as David B. Humphrey and their colleagues, demonstrate the potential for post-merger efficiency, particularly in terms of costs and operational procedures. However, these findings are largely based on studies of large-scale banks in countries

[8] Adrian Sutedi, *Hukum* Perbankan, (Jakarta, Sinar Grafika:cetakan keenam 2018), 85.
[9] M. Rahmatullah, Merger Bank Syariah Indonesia menurut Peraturan Otoritas Jasa Keuangan Nomor 41/POJK.03/2019, Jurnal Lex Privatum vol.10 No.2 Tahun 2022.
[10] Adrian Sutedi, Hukum Perbankan Suatu Tinjauan Pencucian Uang, Merger, Likuidasi dan Kepailitan , (Jakarta: Sinar Grafika, 2007), 93.

with relatively established financial systems. The direct application of these findings to BPRS institutions in Indonesia risks generating analytical bias. BPRS institutions possess limitations in human resources, technology, and business networks, meaning that the efficiency benefits assumed in theory may not necessarily be replicated in practice.[11]

From a risk perspective, mergers are often regarded as mechanisms for rescuing banks experiencing financial difficulties from potential bankruptcy. However, in the practice of BPRS licensing, mergers may also create equally significant new risks, such as organizational integration risks, conflicts in work culture, and short-term performance decline. In granting merger licenses, the Financial Services Authority tends to emphasize the potential reduction of systemic risks, but has not consistently required measurable and continuously supervised mechanisms for mitigating post-merger operational risks.[12]

The motives of economies of scale and economies of scope are frequently used as the primary justifications for banking merger policies. In the context of BPRS institutions, expanding business scale indeed has the potential to broaden service coverage and diversify products. However, increased scale also implies greater complexity in bank management. If the merged bank lacks adequate governance capacity and technological systems, a larger operational scale may instead increase the risk of managerial failure, thereby contradicting the original objectives of the merger itself.[13]

The strategic integration expected from BPRS mergers should encompass the unification of visions, missions, and sharia values that serve as the operational foundation of the bank. However, in licensing practices, aspects related to value integration and work culture are often treated merely as internal matters entirely delegated to the banks themselves, without substantive supervision from regulators. This indicates that the approach of the Financial Services Authority in merger licensing remains predominantly oriented toward ex ante compliance, rather than fully emphasizing the evaluation of ex post outcomes of merger policies on the institutional quality of BPRS institutions.

Based on the foregoing discussion, it can be concluded that the practice of implementing merger licensing for BPRS institutions by the Financial Services Authority is still dominated by normative and structural approaches, grounded in the assumption that mergers inherently generate benefits. This approach deserves critical examination because it does not fully consider the distinctive characteristics of BPRS institutions and the potential negative impacts arising after mergers. Therefore, a paradigm shift in BPRS

[11] Kasmir, Dasar-dasar perbankan, (Jakarta: Raja Grafindo Persada, 2006), 50.
[12] Kamaludin et all, Restrukturisasi Merger dan Akuisisi (Bandung: CV Mandar Maju, 2019), 43.
[13] Ibid. 44-45.

merger licensing is required, transforming it from merely an instrument of regulatory compliance into a legal policy based on the evaluation of substantive benefits, business sustainability, and the protection of customer interests as well as local economic interests.

2. The Role and Authority of the Financial Services Authority in Addressing Obstacles in the Implementation of Merger Licensing for Islamic Rural Banks

The role and authority of the Financial Services Authority in the licensing process for the merger of Islamic Rural Banks (BPRS) have normatively been comprehensively established through Financial Services Authority Regulation Number 7 of 2024 concerning Rural Banks and Islamic Rural Banks. This regulation reinforces the position of the Financial Services Authority as the sole authority possessing full power to approve BPRS mergers, whether in the context of mergers among Islamic Rural Banks, mergers between Rural Banks and Islamic Rural Banks, or mergers of Microfinance Institutions into BPRS institutions. From the perspective of formal authority, this policy demonstrates the consistency of the Financial Services Authority in carrying out its mandate to regulate and supervise the financial services sector, particularly in strengthening the industrial structure and maintaining financial system stability.[14]

However, when critically analyzed, the effectiveness of the BPRS merger licensing policy deserves scrutiny, particularly regarding the achievement of substantive post-merger benefits. The Financial Services Authority tends to position mergers as instruments of structural compliance with minimum core capital requirements and ownership consolidation, based on the assumption that the merger of entities will automatically strengthen institutions and improve banking performance. This approach reflects a regulatory compliance-driven policy model that is more oriented toward fulfilling formal standards than evaluating the factual readiness and business sustainability of the merged BPRS institutions.

The obligation to undertake mergers for BPRS institutions that fail to meet the minimum core capital requirement of IDR 6,000,000,000, as well as for BPRS institutions under the same ownership or control, is normatively intended to strengthen industrial resilience. Nevertheless, this mandatory merger policy potentially creates new problems if it is not accompanied by adequate mentoring mechanisms, managerial assessments, and post-merger supervision. In practice, not all merging BPRS institutions possess equivalent readiness in terms of human resources, governance, and technological

[14] Andersson, I., Persson, J., & Kajonius, P. 'Even the stars think that I am superior: Personality, intelligence and belief in astrology', Personality and Individual Differences, 187 (November), (2022), 111389.

systems, such that the integration process may actually reduce service quality and increase medium-term operational risks.[15]

Furthermore, the provision of incentives in the form of expanded operational territories for merged BPRS institutions reflects the effort of the Financial Services Authority to encourage the economic benefits of consolidation policies. However, the effectiveness of such incentives heavily depends on the ability of the merged banks to utilize territorial expansion productively. Without comprehensive evaluation of managerial capacity and business models, the expansion of operational territories may instead increase managerial complexity and weaken the service focus of BPRS institutions on local MSME sectors, which in fact constitute the primary foundation of BPRS existence.

From the perspective of discretionary authority, the Financial Services Authority also possesses the right to determine operational territories for merged BPRS institutions that differ from the designated island or primary archipelagic regions. Although this authority is intended to provide policy flexibility, excessively broad discretion without transparent evaluative parameters potentially creates legal uncertainty and unequal treatment among BPRS institutions. This condition demonstrates weaknesses in the governance of discretion, where policies depend heavily on the authority's assessment without measurable standards that can be tested academically or practically.[16]

When associated with the principle of legal utility (utilitarianism), the BPRS merger policy established by the Financial Services Authority is theoretically directed toward generating the greatest possible benefit for the public interest, particularly in maintaining financial system stability and supervisory efficiency. However, the implementation of this utilitarian principle in licensing practices remains top-down and regulator-centric. Benefits are primarily measured from the perspective of systemic and regulatory interests, while the actual benefits for small-scale BPRS institutions, customers, and local economies have not become the primary benchmarks in licensing decision-making.

The principle of utilitarianism requires that a legal policy be considered effective when it maximizes collective welfare and minimizes harm to affected parties. In the context of BPRS mergers, the policy of the Financial Services Authority potentially creates disparities in benefits, whereby macro-level stability and supervisory efficiency are achieved while, at the same time, access to financial services for local communities is

[15] Arizona, I., Sukartini, T., Efendi, F., & Estiadewi, P. S. 'The experiences of cancer-related fatigue among adult cancer patients: A systematic review', Jurnal Ners, 14 (3), (2019), 35.
[16] Imam Mukhlis dkk, Analisis Asas Kemanfaatan Hukum Terhadap Pemberian Denda Tindak Pidana Oleh Korporasi Perbankan, Jurnal Kajian Kontemporer Hukum dan Masyarakat, Tahun 2023, 4.

reduced due to the disappearance of regionally based BPRS institutions. If such conditions occur, the resulting legal utility becomes partial and does not fully reflect the objectives of utilitarianism in a comprehensive sense.[17]

In addition, another weakness of the Financial Services Authority policy lies in the limited emphasis on post-merger ex post evaluation. The Financial Services Authority places greater emphasis on examining ex ante requirements before merger approval is granted, but has not systematically linked such approval to obligations for post-merger performance reporting based on measurable success indicators. Consequently, it becomes difficult to assess whether mergers genuinely improve efficiency, service quality, and customer welfare, or instead create new structural burdens for the merged BPRS institutions.

Accordingly, it can be concluded that the role and authority of the Financial Services Authority in the licensing of BPRS mergers are normatively adequate, but substantively still reveal weaknesses in terms of policy effectiveness, balance of benefits, and post-merger supervision. Therefore, strengthening the policy approach of the Financial Services Authority is necessary through a merger licensing model that is not solely based on regulatory compliance, but also oriented toward the evaluation of concrete benefits, business sustainability, and the protection of customer interests as well as local economic interests. Without such a paradigm shift, BPRS merger policies risk becoming instruments of consolidation that are legally valid but not yet fully effective and equitable from the perspective of legal utility.

The merger of Islamic Rural Banks (BPRS) is normatively often positioned as an instrument for strengthening capital structures in order to comply with the Capital Adequacy Ratio (CAR) requirements established by the Financial Services Authority. From the perspective of banking law, strengthening capital through mergers provides juridical legitimacy for the sustainability of BPRS operations while simultaneously reducing the risk of non-compliance with prudential regulations. Within the framework of utilitarianism, strengthening capital structures may be regarded as a form of legal utility because it functions to maximize banking system stability and minimize the potential for bank failures that could broadly affect society. Nevertheless, such utility is conditional in nature, since quantitative increases in capital are not always directly proportional to improvements in managerial capacity and the quality of management within the merged banks. If capital strengthening merely serves as formal compliance

[17] Harahap, A. B., Rokan, M. K., & Aslami, N. 'Analisis dampak merger terhadap kinerja karyawan PT Bank Syariah Indonesia KC Rantau Prapat', Trending: Jurnal Ekonomi, Akuntansi dan Manajemen, 2 (3), (2024), 364.

with regulations without substantive improvements in governance, the anticipated utilitarian benefits risk becoming illusory.[18]

From the aspect of strengthening service structures, mergers enable the integration of products and services from multiple BPRS institutions that previously operated independently. Theoretically, this creates broader service variations and enhances customer accessibility to Islamic financial products. From the perspective of utilitarianism, service diversification can increase customer satisfaction and collective welfare among banking service users. However, post-merger service integration also contains significant challenges, particularly in aligning operational systems and service quality. If service diversification is not accompanied by consistent service standards, the resulting legal benefits may instead diminish due to increased complexity and uncertainty for customers. Therefore, the legal utility of this aspect cannot be assessed abstractly, but must instead be evaluated based on the success of post-merger implementation.

Strengthening bank governance is often used as one of the principal justifications for BPRS merger policies, particularly for small banks that previously failed to satisfy organizational structure requirements. From a legal standpoint, mergers enable organizational restructuring that is more compatible with compliance standards and the principles of good corporate governance. Within the framework of utilitarianism, improved governance potentially maximizes long-term benefits for all stakeholders because it reduces the risk of misconduct and enhances accountability. However, critical analysis demonstrates that governance improvements do not occur automatically merely because of the merger of legal entities. If changes in organizational structures are not accompanied by the internalization of governance values and sharia ethics, the resulting legal utility tends to remain formalistic and does not fully optimize collective welfare.[19]

Operational efficiency is also frequently claimed to be a major benefit of mergers, particularly for BPRS institutions under the same ownership or control. From the utilitarian perspective, operational efficiency means reducing costs that may ultimately be allocated toward business development or improved customer services. Nevertheless, the efficiency generated by mergers is often felt more strongly at the level of owners and regulators than by customers or the broader community. In some cases, operational

[18] Departemen Sekolah Ekonomika dan Bisnis Sekolah Vokasi Universitas Gadjah Mada, Program Merger BPR dan BPRS Oleh Otoritas Jasa Keuangan: Kendala di Lapangan tanggal 18 Juli 2025 (https://deb.sv.ugm.ac.id)

[19] Laela, R. Z., & Rifan, A. A. 'Pengaruh pengetahuan dan persepsi masyarakat tentang merger bank syariah terhadap minat menjadi nasabah di Bank Syariah Indonesia', Islamic Economics, Finance, and Banking Review, 2 (2), (2022), 149.

efficiency may be achieved through workforce rationalization or reductions in service networks, which may actually reduce financial access for certain social groups. Therefore, the utilitarian benefits of operational efficiency must be evaluated proportionally, not only from the perspective of cost reduction but also from its impact on social welfare.[20]

Strengthening the competitiveness of merged BPRS institutions against other BPRS institutions and non-bank financial institutions also constitutes an important argument in consolidation policies. From the perspective of utilitarianism, increased competitiveness potentially encourages the creation of a healthier and more competitive banking industry, thereby providing systemic benefits for the national economy. However, enhanced competitiveness through mergers may also create industrial inequality if BPRS institutions unable to undertake mergers become increasingly marginalized. Such conditions may lead to excessive market concentration and contradict the principle of utilitarianism, which requires equitable distribution of benefits. Therefore, strengthening competitiveness through mergers must be carefully supervised to ensure that benefits are not enjoyed exclusively by certain parties.[21]

Improved bank risk management is also frequently regarded as a legal benefit of mergers, based on the assumption that merged banks possess greater resources to establish adequate risk management systems. Within the utilitarian framework, better risk management contributes to protecting public interests and maintaining financial system stability. Nevertheless, post-merger risk integration may instead create new types of risks, particularly operational risks and organizational culture risks. If merged banks do not possess comprehensive risk mitigation strategies, the anticipated legal utility from improved risk management may actually be reduced.

The expansion of operational territories for merged BPRS institutions is likewise considered a significant legal benefit because it enables increased market potential and service expansion. From the perspective of utilitarianism, territorial expansion may improve social welfare through broader financial access. However, expanding operational territories without adequate infrastructure and human resource readiness risks reducing service quality and increasing the likelihood of operational failure. Therefore, the utilitarian benefits of territorial expansion can only be achieved if such expansion is conducted in a planned and sustainable manner.

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[20] Novaldi, D., Fasa, M. I., Suharto, S., & Monalysa, L. 'Analisis kondisi tingkat kepercayaan masyarakat akibat merger Bank Syariah Indonesia', Jurnal Masharif Al-Syariah: Jurnal Ekonomi dan Perbankan Syariah, 6 (3), (2021), 754.

[21] Malinda, E., Febrianti, R., & Purwanto, M. A. 'Implementasi prinsip-prinsip ekonomi syariah dalam industri perbankan syariah Indonesia', Neraca: Jurnal Ekonomi, Manajemen dan Akuntansi, 2 (6), (2024), 305.

Legal benefits for customers and society in general are often formulated in terms of increased trust and service convenience. Within the utilitarian framework, growing trust in Islamic banking constitutes an important indicator of enhanced collective welfare. However, such trust must be maintained through consistent service quality and protection of customer rights. If mergers merely improve perceptions of stability without substantive improvements in services, the legal benefits for society become relatively limited. From the regulatory perspective, BPRS mergers provide benefits in the form of supervisory efficiency and strengthened banking system stability. In utilitarian logic, supervisory efficiency can increase systemic benefits for the national economy. Nevertheless, excessive focus on supervisory convenience risks shifting the primary purpose of Islamic banking as an instrument for empowering local economies. Therefore, legal utility for the Financial Services Authority must be balanced with utility for society and micro-business actors.[22]

For BPRS owners, mergers provide benefits in the form of ownership consolidation and expanded business scale. From the utilitarian perspective, such benefits are legitimate as long as they do not create greater harm for other parties. Accordingly, BPRS merger policies must be designed to ensure that the benefits obtained by owners are not achieved at the expense of customers, employees, and local economies. Overall, the legal benefits of BPRS mergers can only be considered consistent with utilitarian theory if such benefits are inclusive, sustainable, and proportionally distributed among all stakeholders. Challenges related to the integration of human resources, work culture, technological readiness, and the need for alignment in vision and mission demonstrate that mergers are not automatic solutions. Therefore, the implementation of Key Performance Indicators (KPI) in post-merger evaluations becomes an essential instrument for ensuring that the legal benefits normatively promised are substantively realized in accordance with the objectives of utilitarianism in law.

CONCLUSION

This study demonstrates that mergers undertaken by Islamic Rural Banks (BPRS) provide significant and multidimensional benefits, not only for the merged BPRS institutions themselves, but also for bank owners, customers, the general public, and the Financial Services Authority as the regulator and supervisory authority. The findings confirm that mergers contribute to strengthening capital structures, enabling BPRS

[22] Sultoni, H., & Mardiana, K. 'Pengaruh merger tiga bank syariah BUMN terhadap perkembangan ekonomi syariah', Jurnal Eksyar: Jurnal Ekonomi Syariah, 8 (1), (2021), 17.

institutions to comply with Capital Adequacy Ratio (CAR) requirements, reinforcing service structures through product diversification, improving bank governance in accordance with prudential principles, and creating operational efficiency. In addition, mergers enhance the competitiveness of BPRS institutions against other financial institutions, strengthen risk management through the support of more competent human resources, and expand operational territories, thereby increasing market potential. From the customers' perspective, mergers improve trust and convenience in accessing Islamic banking services, while from the perspective of the Financial Services Authority, supervision of the BPRS industry becomes more effective and efficient.

The legal implications of implementing BPRS mergers indicate that merger policies function not merely as instruments of regulatory compliance, but also as strategic mechanisms for realizing the principle of legal utility. From the perspective of utilitarianism, BPRS mergers may be regarded as generating legal utility because they produce collective benefits for various stakeholders at both the micro and macro levels, including the sustainability of banking operations, strengthened customer protection, and the stability of the Islamic banking system. Nevertheless, such legal utility remains conditional because it heavily depends on managerial readiness, the quality of governance, and the success of post-merger integration. Therefore, the implementation of BPRS mergers must be accompanied by alignment in vision and mission among the merging banks, as well as the application of measurable Key Performance Indicators (KPI) as instruments for post-merger evaluation. Furthermore, the Financial Services Authority should strengthen ex post supervision focusing on governance quality, risk management, and customer protection to ensure that BPRS mergers are not only legally valid, but also effective, sustainable, and aligned with the objectives of legal utility in the development of the Islamic banking industry.

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