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Comparison Analysis of Sharia Banking Financial Performance Using Income Statement Approach and Value Added Statement Approach

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***Abstract*—This Study aims to analyze the difference between the income statement approach and the value added statement approach used to measure the financial performance of Islamic banking in Indonesia. Research subjects are Islamic Banks listed in Indonesia. Data analysis method is descriptive statistics. The results of this study indicate that financial performance measured by the ratio of ROA, ROE, and NPM with the value added statement (VAA) approach is greater than financial performance using the income statement (ISA) approach. The results of the analysis conclude There is a difference in financial performance of Islamic banking if it is analyzed using the income statement approach and the value added statement approach. The financial performance is measured in Islamic banking by using the value added statement approach on an average larger than using the income statement approach.**

Keywords—financial performance; income statements; value added statement; islamic banks

I. INTRODUCTION

The development of banks with sharia principles requires changes in systems, procedures and institutional structures that are in line with sharia principles. Amendment to Law No. 7 of 1992 became Law No. 10 of 1998 rapidly supports the development of Islamic banking. The development of Islamic Banking has increasingly increased competition with conventional banking and also similar to Islamic banking. Therefore, in order to compete, Islamic banking improves its performance, especially financial performance. The Good financial performance will attract investors and customers, thus increasing the high level of trust from the public. In addition to being able to show good financial performance, sharia banking must also be able to present financial performance information openly and according to sharia to all stakeholders.

One of the problems with sharia banking today is that sharia principles have not been fulfilled in delivering financial statement information. The financial statements are presented especially the income statement is only addressed to the capital owners (direct stakeholders) without involving other parties. This is not yet in line with sharia principles, whereas in sharia principles, the purpose of financial statements must be able to explain and describe financial information involving other stakeholders (indirect stakeholders) such as employees, the community, social and government, not only to capital owners (direct stakeholders) [1]. Therefore, Islamic accounting experts recommend sharia-based financial institutions to add Value Added Statements, not only based on balance sheets and income statements that explain profit but also need to know in real terms the performance finance that has been produced [2]. With the existence of a Value Added Statement in accordance with sharia principles, namely in delivering financial information it is in accordance with the purpose of life that can be accounted for by Allah SWT. In addition, this Value Added Statement can explain financial reports to indirect stakeholders and not only to direct stakeholders.

Based on the background above, this study was conducted to see the differences between Islamic Banking Financial Performance by Using the Income Statement Approach and Value Added Statement Approach.

II. LITERATURE REVIEW

A. Shari'ah Enterprise Theory

In the Shari'ah enterprise theory, it explains "the most important axiom that must be based on each conceptual designation is God as the creator and sole owner of all the resources in this world" Therefore, in this theory which is the main source of trust is Allah SWT as the sole and absolute owner. Accounting coverage in the shari'ah enterprise theory is very broad, not limited to events between parties directly related to the process of wealth creation, but also other parties that are not directly related. In the view of shari'ah enterprise theory, wealth distribution does not only apply to the owners and internal parties of companies that run company operations such as shareholders, creditors, employees, and the government, but also other parties that are not directly related to the business of the company, or parties that do not contribute financial and skill. This means that the scope of accounting in the shari'ah enterprise theory is very broad, not limited to events between parties directly related to the process of wealth creation, but also other parties that are not directly related. This Shari'ah enterprise theory in presenting its financial statements presents a Value added statement [3].

B. Comparison of Income Statement and Value Added Statement

In financial statement disclosures, this value added statement is a report presented in the form of information by covering the lack of information presented in the main financial statements, balance sheet, profit and loss statement, and cash flow. Because all of these reports fail to provide share information from each stakeholder or team member who participates in the management process, namely shareholders, creditors, employees, and the government [4].

III. RESEACH METHOD

In this study using descriptive research methods. The population in this study were 12 Islamic Commercial Banks registered at Bank Indonesia in 2011-2015. The sampling technique used in this study was purposive sampling and obtained 11 Sharia Commercial Banks registered at Bank Indonesia that met the criteria. The data analysis technique used in this study is to use descriptive analysis techniques and use Chi Square normality test analysis techniques and then test different hypothesis testing, if the data are normally distributed then use a different T-Test independent test (Independent Samples Test), or if the data is not normal, then use the Wilcoxon Two Sample Paired test.

IV. RESULT AND DISCUSSION

Descriptive Analysis aims to describe the characteristics of a data in the study. In this study the descriptive analysis uses the minimum value, maximum value, mean (mean), and standard deviation of each ROA, ROE, and NPM ratio whether the income statement (Income Statement Approach) approach is abbreviated as ISA and the approach value added statement (Value Added Approach) which is abbreviated as VAA.

TABLE I. DESCRIPTIVE STATISTICS FOR THE FINANCIAL PERFORMANCE WITH ISA AND VAA

Descriptive Statistics					
	N	***Minimum***	***Maximum***	***Mean***	***Std. Deviation***
ROA_ISA	55	-,169	,032	,00414	,025097
ROA_VAA	55	-,418	,154	,06912	,071059
ROE_ISA	55	-,359	,580	,09767	,168440
ROE_VAA	55	-,890	3,877	1,11760	1,014452
NPM_ISA	55	-1,698	,663	,06342	,271980
NPM_VAA	55	-4,105	,902	,64898	,663534
Valid N (listwise)	55				

Source: Result of Data Processing.

Based on the results of the descriptive statistical analysis shown by table 1, it is known that the ROA variable income statement (ISA) approach has a minimum value of -0.169 and a maximum value of 0.032. The average value of 0.00414 with a standard deviation of 0.025097, this can be interpreted that there are variations in the ROA ratio with the income statement approach. The average number which shows the value of 0.00414 shows a number smaller than the standard deviation of 0.025097, this indicates that the effectiveness of the company in utilizing the amount of assets owned by the company to create a profit is classified as poor. In the ROA variable the value added statement (VAA) approach has a minimum value of -0.418 and a maximum value of 0.154. The average value of 0.06912 with a standard deviation of 0.071059, this can be interpreted that there are variations in the ROA ratio with the approach of value added statement. The average number which shows the value of 0.06912 indicates a number smaller than the standard deviation of 0.071059, this indicates that the effectiveness of the company in utilizing the amount of assets owned by the company to create a profit is classified as poor.

In the ROE variable the income statement (ISA) approach has a minimum value of -0.359 and a maximum value of 0.580. The average value of 0.09767 with a standard deviation of 0.168440, this can be interpreted that there are variations in the ROE ratio with the income statement approach. The average number that shows the value of 0.09767 indicates a number smaller than the standard deviation of 0.168440, this indicates that the effectiveness of the company in utilizing existing owner contributions to create a profit is classified as poor. In the ROE variable the value added statement (VAA) approach has a minimum value of -0.890 and a maximum value of 3.877. The average value of 1.11760 with a standard deviation of 1.014452, this can be interpreted that there are variations in the ROE ratio with the approach of value added statement. The average number that shows the value of 1.11760 shows a number greater than the standard deviation of 1.014452, this indicates that the effectiveness of the company is good at utilizing existing owner contributions to create profits.

In the NPM variable the income statement (ISA) approach has a minimum value of -1,698 and a maximum value of 0.663. The average value is 0.06342 with a standard deviation of 0.271980, this can be interpreted that there are variations in the NPM ratio with the income statement approach. The average number that shows the value of 0.06342 indicates a number smaller than the standard deviation of 0.271980, this indicates that the company's ability to generate net income is not good so that the total income becomes small. In the NPM variable the value added statement (VAA) approach has a minimum value of -4.105 and a maximum value of 0.902. The average value of 0.64898 with a standard deviation of 0.663534, this can be interpreted that there are variations in the ratio of NPM with the approach of value added statement. The average number that shows the value of 0.64898 shows that the number is smaller than the standard deviation of 0.663534, this indicates that the company's ability to generate net income is not good so that the total income becomes small.

Based on Table 1 shows that financial performance measured by the ratio of ROA, ROE, and NPM with the value added statement (VAA) approach is greater than financial performance using the income statement (ISA) approach, seen from the minimum, maximum, average values - average, and standard deviation. Based on the hypotheses that have been measured using Independent Samples T test, it is explained that there are differences in the ratio of ROA, ROE and NPM if analyzed using the profit and loss and value added approaches, because the significance level is <0.05.

This huge difference in value and the results of financial performance analysis with the ratio of ROA, ROE, and NPM which shows greater results is due to differences in concepts, namely the theoretical concepts in accounting used.

This value added statement refers to the Shari'ah Enterprise Theory (SET) theory, while the income statement refers to Enterprise Theory (ET), this is in accordance with the theory described by Iwan Triyuwono. The theory of Shari'ah Enterprise Theory (SET) shows great concern for broad stakeholders, namely God, humans, and nature [5]. This concern was manifested in the formulation of value added statements. In preparing the value added report, management distributed the acquisition of the added value to all parties entitled to the acquisition of added value, such as to customers (through profit sharing), employees (through salary), social (through zakat), the government (through taxes), the owner (through dividends). Therefore, this will not reduce income, third parties are treated as stakeholders whose rights must be fulfilled, not as an operational burden on the company.

While in the income statement that refers to the theory of Enterprise Theory (ET), the concept of profit in this income statement emphasizes the interests of capital owners only. In the income statement can be seen from items such as the rights of third parties for profit sharing, employees, zakat, tax which is one party that indirectly contributes to the acquisition of value is one item that is treated as a burden, so that this can reduce income. So, it can be seen from these two things, because of the different concepts, the acquisition of values tends to be different.

The acquisition of this amount of added value can illustrate that the company in obtaining very good profits, this can also be seen in the financial performance measured by the financial ratios in table 1 also shows a large value with the VAA approach rather than the ISA approach. So, from that the greater the value obtained, it will show a large profit. When viewed from the two tables, the financial performance measured by the VAA approach is greater so that the profits generated will also be large.

The statement said something similar, in accordance with the theory and previous studies in this study, namely by Saiful Azhar Rosly, Mohd Afandi Abu Bakar, Sofyan Syafri Harahap, Kartika Chandra Nandi, Waheed Akhter, Ali Raza, Orangzab, Nining Islamiyah, Arikha Faizal Ridho & Moh. Rusdinal Muslih. [5-9].

V. CONCLUSION

Based on the results of the analysis and interpretation of the results of the study it can be concluded There is a difference in financial performance of Islamic banking if it is analyzed using the income statement approach and the value added statement approach. The financial performance is measured as a whole in Islamic banking by using the value added statement approach on an average larger than using the income statement approach.

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