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FINANCIAL RATIO ANALYSIS USING ADDED VALUE, INCOME STATEMENT

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ABSTRACT

Banking has a very strategic role in supporting the passage of economy and national development. The development of Islamic banking in Indonesia is driven by the desire of the people of Indonesia, to determine whether there are significant differences on financial ratios when analyzed using the approach of *the income statement* and the *value added statement.* Interest income statement is more emphasis on the interests of stakeholders, as it is evident the construction shown in the income statement. In the construction of the income statement can be seen that items such as the right of third parties in the results, ZIS, a tax which is a party that has indirectly contributed to the profit, an item which is treated as an expense that serves to reduce earnings. In addition there is one more item that employee as the party that has directly contributed to the achievement of profit is also treated as an expense. In contrast to the added value that uses the concept of SET. The concept of value-added has a great concern on broad stakeholders, namely God, man, and nature. Concern is realized by the willingness of management to distribute added value to all parties involved in the acquisition of value-added, namely the government (through taxes), employees (through salary), the owners of capital (through dividends), donation shadaqah, funds are reinvested, and the environment around. This study only uses 3 ratios in measuring bank performance; it should be researchers who will come up more ratios to measure performance. In addition, future researchers should also reproduce the sample, so the results are more generalized. In addition,

researchers will come also add a period of years in order to know more analysis of the increase or decrease of each ratio.

Key Words: Financial Ratio, Added Value, Income Statement, Banking

INTRODUCTION

Banking has a very strategic role in supporting the passage of economy and national development. The development of Islamic banking in Indonesia is driven by the desire of the Indonesian people, especially the Muslim community who believe that the bank interest is usury. Islamic banking competition becomes more intense, as the application of Law No. 10 of 1998 on banking has given the mandate to Bank Indonesia to provide regulation and supervision of banking based on Islamic principles. The law gives direction to the conventional banks should open Islamic branches or conversion may themselves totally Islamic bank called *Dual Banking System* or Dual Banking System.The main principle that must be developed by Islamic banks in improving financial performance is the ability of Islamic banks in managing their funds, the ability of Islamic banks provide for optimal results to customers. Islamic bank's financial performance assessment can be done by analyzing the financial statements level of profitability of Islamic banks are concerned with using three ratios *Return on Assets (ROA), Return on Equity* (ROE) and the ratio of total net income by total assets. The quality of the financial performance of Islamic banks can be seen how much the ratio of financial performance is obtained, the greater the ratio obtained means the ability of Islamic banks to provide benefits for the results to customers, the better, and vice versa if the acquisition ratio of the financial performance of small means the ability of Islamic banks provide the advantage of the the result of lower customer (Wahyudi, 2005: 15). Princess and Djoko, (2013) in compliance with the accountability of the financial statements of Islamic banks. Based on this background, the title of the research raised is "***comparative*** analysis of financial performance by using Islamic bank ***income statement*** and ***statement*** of ***value added*** PT. Bank Muamalat Indonesia**".**

LITERATURE REVIEW

Sharia Enterprise Theory

Distribution of wealth among the different sectors of society, by definition, the problem of social interest and this is characteristic of *value added statement* which supports accountability in Islam. Thus, the report added value can be considered in line with the concept of fairness and cooperation that spread Islam on the income statement, Sulaiman (in Isnaini 2010: 32). According Triyuwono, in (Isnaini 2010: 33) *Sharia Enterprise Theory* (SET) has the authority in setting the fatwa in the field of sharia (Rizal, et al, 2009: 54) .According Patrawijaya, in (Isnaini 2010: 11) establishment of the banking system for results based on two main reasons, namely: (1) the view that interest *(interest)*on a conventional bank is forbidden because it is included in the category of usury is forbidden in Islam, (2) from the economic aspect, the delivery of business risks to either party violated norms of justice. According to Lakshman, in (Isnaini 2010: 12) as a concept, Islamic banks are banks that operate based on the principles of Islamic law, according to Muhammad and Dwi, in (Tara, 2014: 40) Broadly speaking, economic relations based on Islamic law is determined by the relationship contract which consists of five basic concepts contract. Budi (2007: 53) revealed that the financial statements are an accountability report manager (Muhammad) in (Isnaini 2010: 21), (Nurhayati&Wasilah) in (Isnaini 2010: 22). (Harahap) in (Isnaini 2010: 23). Agraini (2012: 22) explains that the calculation of profit and loss that describes the number of results, profit/ loss of companies in a given period of Donald E Kiesso (2002: 150) defines "income statement" Wiroso (2011: 59) related measurement of profit are income, expenses and rights of third parties in the results. Isnaini (2010: 36) states that *Value added,* (Wahyudi, 2005: 42), (Bastian, 2005: 274), Angraini (2012: 19) Research by IsnainiEndahDamastuti (2010) on a comparative analysis of the performance of sharia bank by using the *Income Statement approach* and *Value Added approach* (A Case Study of Bank Muamalat Indonesia Branch Semarang). Research Rifai (2013)

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Research Adityawarman (2014) concerning the comparative analysis of the financial performance of Islamic banking approach of income *(income statement)* and value added *(value added statement)* that the financial performance as measured by ROA, ROE, LBAP, and NPM in the period 2010-2012 showed that among *the income statement approach* and *value added approach*, there are significant differences. Even though the quantitative magnitude of four ratios to the *value added approach* above*income statement approach.* Research and Djoko Daughter (2013) about the bank's financial performance analysis Muamalat Indonesia. And BetyIstikanah (2014) Comparative Analysis of Financial Performance With Approach And *Income Statement Value Added Statement* In Syariah Business Unit.

Formulation of the problem

Based on the description of the background of the above, then that becomes the problem in this research are:

1. Are there significant differences in ROA ratio when analyzed using the approach of *the income statement* and the *value added statement?*
2. Is there a significant difference in ROE when analyzed using the approach of *the income statement* and the *value added statement?*
3. Is there a significant difference in the ratio LBAP when analyzed using the approach of *the income statement* and the *value added statement?*

Hypothesis

As a result of the tentative conclusions of this study, the hypotheses formulated in this study are:

H1: Allegedly there are significant differences in ROA ratio when analyzed with the approach of *the income statement* and the *value added statement.*

H2: Allegedly there are significant differences in ROE when analyzed with the approach of *the income statement* and the *value added statement.*

H3: Allegedly there is a significant difference in the ratio between the total net income by total assets (LBAP) when analyzed with the approach of *the income statement* and *the value of value added statement.*

RESEARCH METHODS

Population and Sample

According to Sekaran (2006: 121-123) refers to the population is a whole group of people, events, or it interests you want researcher investigation while the sample is part of the population, the sample consisted of a number of members elected from population.In this study population who used is the annual report of Muamalat Bank Indonesia over the last 5 years, due to the small number of the population owned causes the population as well as a sample in this study.

ANALYSIS

Descriptive statistics were used to describe the variables in the research, analysis used is the average (mean), standard deviation, minimum and maximum to describe the research variables.Different test t-test was used to determine whether two samples were not related to have an average value different. Different test t-test was performed by comparing the difference between the average value with a standard error of the difference in the average of two samples, (Ghozali) in (Isnaini 2010: 55).T tests were used to test the significant level of influence of individual variables (partial).Which is greater than t table means t significant meaning accepted.Thenhypothesis if t obtained is smaller than t table means t is not significant meaning not acceptable.hypothesis that this testing can be done by looking at the p-value of each variable. If the p-value <5% then the hypothesis is accepted and if the p-value> 5%, then the hypothesis is rejected, (Ghozali) in (Isnaini 2010: 56), ROA has a minimum value and a maximum value of 0.019 0.023.Value of average of 0,020 with a standard deviation of 0.002 can be interpreted variations contained in ROA. Figures show 0,020 relatively large number for standard deviation at lower ROA than 0.020 i.e. 0,002. This indicates that the company's effectiveness in utilizing the amount of assets held for creating profit is good so ROA to be great value.

On the ROE has a minimum value and a maximum value of 0.239 0,356. Average of 0.310 with a standard deviation of 0.050 can be interpreted variations contained in ROE. The 0.310 Figures show relatively large number for the standard deviation in ROE is lower than 0.310, namely 0,050. This indicates that the company's effectiveness in utilizing the contribution of existing owners to make a profit is good.In the variable ratio of net income to earning assets have a minimum value and a maximum value 0.025 0.020 Average value of 0,022with standard deviation of 0.002 means the variation present in an amount ratio of net income to the quality of earning assets. The 0.022 Figures showed the number of relatively large because the standard deviation is lower than 0.022, namely 0,002. This indicates that the company's effectiveness in utilizing assets owned to make a profit is good.

Based on the results obtained from the first part of SPSS output looks average ratios *Return on Assets* (ROA) in the *income statement* approach is 0,007 while on approach to the *Value Added Statement* of 0,020. In absolute terms it is clear that the average ROA between *income statement* approach and different*value added statement*, but to see whether this difference was statistically significant it must be seen also output the second part that is *independent sample t-test.*In the second part of SPSS output seen that F calculated *test* of 0.255 with a probability of 0.627 for the probability of> 0.05, it can be concluded that both variants of the *income statement* approach and the same *value added statement.* Thus different test analysis using a t-test assuming *equal variances* should be*assumed.* From the SPSS output seen that the value of t on *equal variances assumed* -9.932with significance probability is 0.000 <0.05, H1 accepted. So it can be concluded that the ratio of ROA in *the income statement* approach and *value added statements* differ significantly.

Return on Equity (ROE) in the *income statement* approach is 0.111.While the *value added statement* amounted to 0.310. In absolute terms it is clear that the average ROE between *income statement*approach and different *value added statement,* but to see whether this difference was statistically significant it must be seen also output the second part that is*independent sample t-test.*In the second part of SPSS output seen that F calculated with *test* is of 1.050 with probability .336 since the probability of> 0.05, it can be concluded that both variants of the *income statement* approach and the same *value added statement.* Thus different test analysis using a t-test assuming *equal variances* should be*assumed.* From the SPSS output seen that the value of t on *equal variances assumed* significance probability is -7.077 to 0.000 <0.05, H2 is accepted. So we can conclude that the ROE on *the income statement* approach and *value added statements* differ significantly.

Comparative Analysis of Total Net Income to Total Assets

The comparison of the ratio of net income to earning assets using the *income statement* approach and *value added statements* using the Test *Statistic Independent Sample T-Test. in* the results obtained from the first part of SPSS output looks average ratio of net income to earning assets in the *income statement* approach is 0.008, while the *value added statement* amounted. In absolute terms it is clear that the average ratio of net income to earning assets between *income statement* approach and different *value added statement,* but to see whether this difference is statistically significant it must be seen also a second output that is *independent sample t-test.*In the second part of SPSS output seen that F calculated *test* amounted to 0.584 with probability 0.467 because the probability of>0.05, it can be concluded that both variants of the *income statement* approach and the same *value added statement.* Thus different test analysis using a t-test assuming *equal variances* should be *assumed.* From the SPSS output seen that the value of t on *equal variances assumed* probability is -9.753 to 0.000 <0.05, the H3 is accepted. So it can be concluded that the ratio of net income to earning assets in

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the *income* approach*statements* and *value added statements* differ significantly.

INTERPRETATION AND DISCUSSION

Based on the analysis above data shows that there are significant differences in ROA ratio between the *income statement* approach and the *value added statement* in 2009 to 2013 for a significance level of ROA <0.05 so accept H1. Also based on the descriptive analysis of ROA during the study period of the two approaches, quantitative approach to *Value Added statement* has a higher ROA although there are small differences compared with the approach of *the Income Statement*.ROA is used to measure the ability of the bank's management in the overall gain, so the higher the ROA indicates that the bank has had a great level of benefits in utilizing its assets.The analysis of the second hypothesis states that there are significant differences in ROE ratio between the *income statement* approach and the *value added statement* in 2009 to 2013 for a significance level of ROE <0.05 so that the receiving H2. Also based on the descriptive analysis of ROE over the study period, of the two approaches is quantitatively *Value Added Statement* has a higher ROE although there are small differences compared with the approach of *the Income Statement.* ROE is an important indicator for shareholders and potential investors to measure the bank's ability to obtain a net profit attributed to the payment of dividends, so the higher the ROE, the higher the profits from the company so that the profitability of the bank, the better.The analysis of the third hypothesis states that there are significant differences in the ratio of net income to earning assets between the approach of *the income statement* and the *value added statement* in 2009 to 2013 for a significance level of comparison of income on earning assets <0.05 that receives H3. Also based on the descriptive analysis of the ratio of net income to earning assets during the study period, of the two approaches is quantitatively *Value Added Statement* has a ratio of net income to earning assets were higher despite the small difference compared to the *Income Statement.*

The results of this study support the research result of Adityawarman (2014). Adityawarman was using four ratios, whereas this study uses

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only three ratios. Quantitatively three variables has been thus demonstrated in this study are ROA, ROE, LBAP also obtain the same result, namely between the approach of *the income statement* and *value added statement* there are significant differences, where the ratio obtained with lower *income statement* approach than using *Value Added Statement.*

The results showed that by using an approach known acquisition *value added statement* value added (profits) BMI year from 2009 to 2013 was higher than the net profit which uses *income statement* approach. Differences such great value is due to the differences in the concept of ownership and concepts used in accounting theory. As explained by Triyuwono (in Isnaini 2010), that the two main currents of thought in sharia accounting has come to the idea diametrically between *Sharia Enterprise Theory* (SET) and *Entity Theory* (ET), thus accounting for the income statement using ET while Reports Added Value uses SET. SET has a wider scope than accountability with ET. Accountability in question is accountability to God, man, and nature (Triyuwono) (in Isnaini 2010). The consequences of the SET as the basis of the development of accounting theory sharia is the recognition of *income* in the form of added value, not *income* within the meaning of the income (profit) as used in ET. Interest income statement is more emphasis on the interests of stakeholders, it is evident the construction shown in the income statement. In the construction of the income statement can be seen that items such as the right of third parties in the results, ZIS, a tax which is a party that has indirectly contributed to the profit, an item which is treated as an expense that serves to reduce earnings. In addition there is one more item that employee as the party that has directly contributed to the achievement of profit is also treated as an expense.

In contrast to the added value that uses the concept of SET. The concept of value-added has a great concern on broad stakeholders, namely God, man, and nature. Concern is realized by the willingness of management to distribute added value to all parties involved in the acquisition of value-added, namely the government (through taxes), employees (through salary), the owners of capital (through dividends), donation shadaqah, funds are reinvested, and the environment around. Profit in the concept of added value is the total income, whether derived from operating income, non-operating income and reevaluation. This shows that the concept of added value highly attention to the value all parties are entitled to feel any added value generated, irrespective of whether it comes from major surgery or not. the concept of profit and loss, in which a third party is only entitled to the income from main operations, income other than it was not entitled.

The interpretation of the results, we can conclude the existence of differences in the application of the theory used in the Income Statement and Statement of Added Value. Income Statement using the *Entity Theory* (ET) that emphasizes operating income primarily for shared out and devoted only to the owners of capital, while the report Added Value using *Sharia Enterprise Theory* (SET) that is applying the principles of justice in which the added value will be distributed to all parties involved in generate added value. The big difference in the application of the theory used in *the income statement* approach and *value added statements* because the results of the analysis of financial performance (ROA, ROE, and LBAP) showed significantly different results. So the acquisition of added value (profit) by using the approach of *value added statement* shows the results greater than the profits obtained by using the *income statement approach.*

CONCLUSION

Based on the results of data processing and analysis of statistical tests *Independent Sample t-test* which refers to the problem and research objectives, it can be formulated some conclusions as follows:

1. Financial performance represented by ROA, ROE, and the ratio of net income to earning assets (LBAP), in the year 2009 to 2013 shows the *income statement* approach and *value added statement* there are significant differences. Although quantitatively third ratio to the *income* approach *statement* under the *value added statement.*

2. The overall level of profitability of Islamic banking as measured using *the income statement* approach and *value added statements* have significant differences. According to the results of this study the ratio obtained by using the *income statement* approach is lower than the *value added statement.*
3. There are differences between the approach of *the income statement* and the *value added statement* prefers the principle of fairness in distributing the added value to shareholders, employees, creditors, and government. Thus, in this study were obtained *value added statement* (profit) is higher compared with the profits from the *income statement* based *approach.*

SUGGESTION

Their *Value Added Statement* has provided clearer information for users of financial statements. *Value Added Statement* provides information relating to the distribution of the results obtained by the bank. Therefore, it is worth PT. BMI willing to publish additional *Value Added Statement* as published financial reports.

RESEARCH LIMITATIONS

This study only uses 3 ratios in measuring bank performance; it should be researchers who will come up more ratios to measure performance. In addition, future researchers should also reproduce the sample, so the results are more generalized. In addition, researchers will come also add a period of years in order to know more analysis of the increase or decrease of each ratio.

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