

Comparison Analysis of Bank Muamalat Indonesia's Financial Performance Using the Income Statement Approach and Value Added Approach

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ABSTRACT

This study aims to compare the financial performance of PT Bank Muamalat Indonesia based on the Income Statement Approach and Value Added Approach in terms of financial ratios consisting of ROA, ROE, and NPM. This research is a qualitative descriptive study using secondary data. The data used are financial reports published by PT Bank Muamalat Indonesia Tbk from 2017-2021. The subject of this research is the financial statements of PT Bank Muamalat Indonesia. The object used in this study is the financial performance of Islamic banks. The results showed that by using the ROA, ROE, and NPM ratios there were significant differences, in this study the Value Added Approach approach of banks was able to produce better financial performance compared to the Income Statement Approach, due to the average value of the ratios of ROA, ROE and The NPM in the Value Added Approach is relatively higher than the Income Statement Approach. The average value of the ROA ratio in the Value Added Approach is 6.23% while in the Income Statement Approach it is 0.055%. The average value of the ROE ratio in the Value Added Approach is 81.57% while in the Income Statement Approach it is 0.50%. The average value of the NPM ratio in the Value Added Approach is 102.06%, while in the Income Statement Approach it is 0.60%. This shows that with the Value Added Approach approach, banks are able to generate better profits compared to the Income Statement Approach.

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INTRODUCTION

The financial performance of a company is a general description of how the financial condition of a company at a certain time (a certain period) will report all of its financial activities. The financial performance of a company is an important factor in assessing the company in the future. Financial performance can be seen from the company's financial statements by analyzing the company's financial statements. To measure a company's financial performance, it can be done using an analytical tool in the form of financial ratios (Rizky, 2017)

According to Law Number 21 of 2008 Islamic Banking is everything related to Islamic Banks and Islamic Business Units, including institutions, business activities, as well as ways and processes in carrying out economic and business activities. Bank Muamalat Indonesia was founded on the idea of the Indonesian Ulema Council (MUI), Indonesian Muslim Intellectuals Association (ICMI) and Muslim entrepreneurs who later received support from the Government of the Republic of Indonesia, so that on May 1 1992 or 27 Shawwal

1412 H, Bank Muamalat Indonesia officially operated as the first bank that runs its business based on sharia principles in Indonesia. Two years later, on October 27, 1994 to be precise, BMI obtained a license as a Foreign Exchange Bank after being registered as a public company that was not listed on the Indonesian Stock Exchange (IDX) the previous year.

Inevitably, bring positive and negative impacts for the development of a bank, including for Islamic banks. The positive impact is to motivate banks to race against each other to be the best. While the negative impact is that defeat in competition can hamper the rate of development of the bank concerned. This condition will bring big losses to the bank. Performance measurement indicators based on ROA and ROE criteria according to Kasmir are: (1) The company is said to be good if the NPM owned is above the industry average in general, namely 20%, (2) The company is said to be good if it is able to achieve ROA above the industry average, namely 30 %, (3) The company is said to be good if the ROE owned by the company is above the industry average in general, namely an average of 40% (Winarto, 2019).

The profit and loss approach (Income Statement Approach) is a description of the achievements or performance capabilities of a company in generating profits or profits. Based on the results of research (Wahyudi, 2005), the financial performance of Islamic banks has not yet been linked to value added reports as additional financial reports in Islamic bank financial reports, so far the analysis of Islamic bank financial performance has only been based on balance sheets and income statements. This causes the results of the analysis to not show the right results, because the income statement is a report that pays more attention to the interests of direct stakeholders (owners of capital), in the form of achieving maximum profit by setting aside the interests of other parties (employees, society, society, and government). So that the profit obtained is only limited to direct stakeholders (owners of capital). Meanwhile, by using the value added approach (Value Added Approach) the ability of Islamic banks to generate profitability is calculated by also taking into account the contributions of other parties such as employees, society, government and the environment. So that the profit obtained in its distribution is not only limited to direct stakeholders but also to indirect stakeholders. Value added reports provide very clear information on how much added value the company generates and to whom the added value will be distributed (Morley, 1997). Therefore, added value is seen as in accordance with business ethics in Islam, namely justice and cooperation. The concept of added value is also in line with the emphasis on the goal of maximizing profits for capital owners to maximize added value for stakeholders. In this study, researchers used the Income Statement Approach and Value Added Approach to measure financial performance where the measuring instrument used to measure financial performance was by using the ROA, ROE and NPM ratios, and the indicators in calculating these ratios were the company's net profit.

Table 1
Financial Performance Assessment Data
PT Bank Muamalat Indonesia
Approach Income Statement Approach

Year	ROA (%)	ROE (%)	NPM (%)
2017	0,097	0,47	0,61
2018	0,080	1,17	1,28
2019	0,051	0,41	0,47
2020	0,029	0,25	0,33
2021	0,021	0,22	0,32

Source: Financial Statements Bank Muamalat Indonesia 2017-2021

Based on the table above, the financial performance of Bank Muamalat Indonesia can be seen from the ROA, ROE, and NPM values, seen from 2017-2021 there have been increases and decreases in financial performance. In 2017 to 2021 Return On Assets continues to experience a quite drastic decline. Return On Equity in 2017 to 2018 experienced a slight increase of 0.7%, this occurred due to an increase in the company's net profit. In 2019 to 2021 ROE will continue to decline due to a decrease in the company's net profit. Then the Net Profit Margin in 2017 to 2018 has increased by 0.67%. Then from 2018 to 2021 NPM continues to decline.

Tabel 2
Financial Performance Assessment Data
PT. Bank Muamalat Indonesia

Tahun	ROA (%)	ROE (%)	NPM (%)
2017	7,26	80,81	105,56
2018	6,42	93,73	102,56
2019	6,87	87,47	100,76
2020	5,91	76,38	100,73
2021	4,70	69,51	100,72

Source: Processed data, Financial Statements Bank Muamalat Indonesia 2017-2021

Based on the table above, the Financial Performance of Bank Muamalat Indonesia based on the Value Added Approach can be seen from the ROA, ROE, and NPM ratios. Seen from 2017 to 2018 there has been an increase and decrease in financial performance. From 2017 to 2021 ROA continues to decline every year. From 2017 to 2018 ROE has increased by 12.92%. But from 2019 to 2021 ROE continues to decline every year. NPM in 2017 to 2021 continues to decline. This study is a reflection of research conducted by Isnaini Endah Damastuti (2010) entitled Comparative Analysis of Financial Performance of Islamic Banks Using the Income Statement Approach and Value Added Approach. using the Value Added Approach approach, it is known that the acquisition of added value (profit) of Islamic Banks is greater when compared to the acquisition of net profit using the Income Statement Approach approach. Therefore the researcher wants to do another research by looking at the financial performance of Islamic banks seen from some of their financial reports, this research takes the object of PT. Bank Muamalat Indonesia uses the financial statements of PT. Bank Muamalat Indonesia. Researchers choose objects at PT. Bank Muamalat Indonesia because Bank Muamalat was the first Islamic bank to be established in Indonesia as well as sharia business principles with the title "Comparative Analysis of Financial Performance of Islamic Banks Using the Income Statement Approach and Value Added Approach (Case Study of Bank Muamalat Indonesia)".

METHOD

This type of research uses qualitative research with a comparative descriptive approach. Qualitative research uses quantitative data that emphasizes objective phenomena and is studied quantitatively. Maximizing the objectivity of this research design was carried out using numbers, statistical management, structures and controlled experiments (Hamdi, 2014). Qualitative research is research that is descriptive in nature and tends to use analysis with an inductive approach (Rukin, 2019). Comparative research is a comparative research.

RESULTS

Bank Muamalat Indonesia's Financial Performance Viewed From the Income Statement Approach

Based on the calculation of the financial ratios ROA, ROE, and NPM in the Income Statement Approach, the results of the average financial ratios are contained in the following table:

Table 3
Rasio Keuangan Income Statement Approach

No	Rasio	Year					Amount (%)	Average (%)
		2017	2018	2019	2020	2022		
1	ROA(%)	0,097	0,080	0,051	0,029	0,021	0,278	0,055
2	ROE(%)	0,47	1,17	0,41	0,25	0,22	2,52	0,50
3	NPM(%)	0,61	1,28	0,47	0,33	0,32	3,01	0,60

Source: Processed Secondary Data, 2022

The ROA ratio for the Income Statement Approach from 2017 to 2021 shows a value of 0.055%. The ROE ratio on the Income Statement Approach shows a value of 0.50%. The NPM ratio on the Income Statement Approach shows a value of 0.60%. The financial performance of Bank Muamalat Indonesia seen from the ROA, ROE and NPM ratios shows that the Bank is less capable of producing good performance compared to the Value Added Approach. Because based on the results of the ratio analysis that has been carried out the value of the ROA ratio for the Income Statement Approach is 0.055% and for the Value Added Approach is 6.23%. This shows that based on the ratio of ROA on the Income Statement Approach of Bank Muamalat Indonesia in utilizing the amount owned to create profits is less good than the Value Added Approach. The value of the ROE ratio for the Income Statement Approach is 0.50% and for the Value Added Approach is

81.57%, this shows that based on the Income Statement Approach the bank is less able to maintain the company's effectiveness in generating profits. The NPM ratio value on the Income Statement Approach is 0.60% and the NPM ratio value on the Value Added Approach is 102.06%, this indicates that the bank's lack of ability to generate net profit so that total income is small. This is supported by research conducted by (Dewi Sartika, 2017) where the results of his research stated that quantitatively the Value Added Approach has a higher ROA ratio compared to the Income Statement Approach. In addition, Rizka Azriani Putri's research (2021) explains the same thing, namely quantitatively the added value approach has a higher ratio compared to the profit and loss approach. This indicates that in the Income Statement Approach the company's effectiveness in utilizing the size of its assets to create profits is not good because the Income Statement Approach only emphasizes the goal of maximizing profits for capital owners by ignoring the parties involved in it, namely employees, creditors, owners of capital, and the government.

Bank Muamalat Indonesia's Financial Performance Viewed From the Value Added Approach

Based on the calculation of the financial ratios ROA, ROE, and NPM in the Value Added Approach, the results of the average financial ratios are contained in the following table:

Table 4
Rasio Finance Value Added Approach

No.	Rasio	Year					Amount (%)	Average (%)
		2017	2018	2019	2020	2022		
1	ROA(%)	7,26	6,42	6,87	5,91	4,70	31,16	6,23
2	ROE(%)	80,81	93,73	87,43	76,38	69,51	407,86	81,57
3	NPM(%)	105,56	102,56	100,76	100,73	100,72	510,33	102,06

Source: Processed Secondary Data, 2022

The ROA ratio in the Value Added Approach from 2017 to 2021 shows a value of 6.23%. ROE on the Value Added Approach is 81.57%. NPM on Value Added Approach of 102.06%. The financial performance of Bank Muamalat Indonesia, seen from the ROA, ROE and NPM ratios, shows better performance compared to the Income Statement Approach. Because based on the results of the ratio analysis that has been carried out the value of the ROA ratio for the Value Added Approach is 6.23% while for the Income Statement Approach is 0.055% this shows that based on the ROA ratio on the Value Added Approach Bank Muamalat Indonesia uses the size of its assets to making profit is better. In terms of income, it is obtained in the form of added value and then distributed fairly to groups involved with the company in generating added value. This indicates that the company's effectiveness in utilizing its large assets to create profits is good so that the value of ROA in the added value approach becomes large. The ROE value for the Value Added Approach is 81.57% while the ROE ratio value for the Income Statement Approach is 0.50%. This shows that based on the Value Added Approach, Bank Muamalat Indonesia is able to generate very good profits by using its equity, using the concept that income is in the form of added value which must be distributed to all parties involved with the company in generating added value. This is supported by the results of Isnaini Endah Damstuti's research (2010), which states quantitatively that the Value Added Approach has a higher ROE ratio than the Income Statement Approach. The ROE ratio is an important indicator for shareholders and potential investors to measure a bank's ability to earn net profit associated with dividend payments. So that the higher the ROE, the higher the profit earned by the company and the better the profitability of the bank.

The NPM ratio for the Value Added Approach is 102.06%, while for the Income Statement Approach it is 0.60%. This shows that based on the Value Added Approach, Bank Muamalat Indonesia is able to manage income well, with the principle of fairness applied to the Value Added Approach in fact it is able to produce better and bigger added value or (profit). This is supported by research conducted by Andi Noviantika Amiruddin (2021), that based on a descriptive analysis of NPM during the research period, of the two approaches the Value Added Approach has a higher NPM ratio compared to the Income Statement Approach. The NPM ratio is used to measure a bank's ability to generate net profit in terms of its operating income, so that the higher the NPM ratio of a bank, the better the results. This is also proven in Rizka Azriani Putri's research (2021), that based on a descriptive analysis of the NPM ratio during the study period, of the two approaches used quantitatively the Value Added Approach has a higher ratio compared to the Income Statement Approach. This illustrates that with the Value Added Approach approach, the large amount of Islamic bank income is because in the Value Added Approach the third party does not reduce the income earned but is part of the distribution of income or added value that has been generated by Islamic banks. Overall the performance of Bank Muamalat Indonesia seen from the Income Statement Approach and Value Added Approach approaches is able to provide good performance, although when viewed from the two approaches, the Value Added Approach with the principle of full disclosure is driven by moral and ethical awareness which is a reflection of management's sensitivity to the process of business activity for the parties involved in it turns

out to be able to provide a profit level that is greater than the Income Statement Approach which only emphasizes the goal of maximizing profits for capital owners.

Differences in the Financial Performance of Bank Muamalat Indonesia Seen from the income Statement Approach and Value Added Approach

The difference in bank muamalat's financial performance based on the Income Statement Approach and Value Added Approach can be seen from the comparison of the average value of financial ratios contained in the following table:

Table 5
Comparison of Financial Ratios Between Income Statement Approach dan Value Added Approach

No	Rasio	Income Statement Approach (%)	Value Added Approach (%)
1	ROA	0,055	6,23
2	ROE	0,50	81,57
3	NPM	0,60	102,06

Processed data sources 2022

Based on the table above, there is a difference between the financial performance ratios of Bank Muamalat Indonesia which are calculated using the Income Statement Approach and the Value Added Approach. The average value of the ROA, ROE and NPM ratio calculated using the Value Added Approach is greater than the average ROA, ROE and NPM ratio calculated using the Income Statement Approach. The average value of the ROA ratio in the Value Added Approach is 6.23% while in the Income Statement Approach it is 0.055%. The average value of ROE on the Value Added Approach is 81.57%, while the Income Statement Approach is 0.50%. Then the average NPM ratio in the Value Added Approach is 102.06% while in the Income Statement Approach it is 0.60%. This shows that the financial performance of Bank Muamalat Indonesia, which is calculated based on the Income Statement Approach and the Value Added Approach, has a significant difference. The results of calculating the average ratio of ROA, ROE and NPM in the Income Statement Approach are lower than the Value Added Approach. This is due to differences in the structure and concepts of the two approaches to accounting theory, in which the Value Added Approach prioritizes the principle of justice in distributing added value to capital owners, employees, creditors and the government (Harahap, 2006). Meanwhile, the Income Statement Approach only emphasizes the goal of maximizing profits for capital owners. So there is a higher added value (profit) in the Value Added Approach compared to profits obtained based on the Income Statement Approach. this is in line with research conducted by Andi Noviantika Amiruddin (2021), the results show that there are significant differences in financial performance with the Income Statement Approach and Value Added Approach approaches, in which the Value Added Approach approach banks are able to produce better financial performance than with the Income Statement Approach approach.

CONCLUSION

The financial performance of Bank Muamalat Indonesia using the Income Statement Approach seen from the ROA, ROE and NPM ratios has not been able to produce good financial performance because the average value of the ratio is relatively smaller compared to the Value Added Approach.

Bank Muamalat Indonesia's financial performance using the Value Added Approach seen from the ratios of ROA, ROE, and NPM the bank is able to produce good financial performance because the average value of the ratio is relatively higher than the Income Statement Approach.

In the Income Statement Approach and Value Added Approach, seen from the ROA, ROE, and NPM ratios, there are significant differences. According to the results of this study, the ratio obtained by the Income Statement Approach is lower than the Value Added Approach. This difference is because VAA prioritizes the principle of justice in distributing added value to capital owners, employees, creditors, and the government. So that in this study obtained added value (profit) that is higher than the profit obtained based on the Income Statement Approach.

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