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Analysis of Sharia-Based Financial Reports in Improving Company Performance (Case Study on Sharia Indonesian Rakyat Bank Which Listed on Indonesia Stock Exchange)

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ABSTRACT

The author conducted this research at PT Bank Rakyat Indonesia Syariah Tbk. In this study the aim was to determine the performance of sharia-based finance in improving company performance (a case study on Islamic Indonesian people's banks listed on the Indonesian stock exchange , the type of data used is secondary data , data collection techniques used are data analysis techniques and quantitative descriptive methods.

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INTRODUCTION

The development of Islamic banks in Indonesia in the last decade has been quite rapid. With its impressive development progress, the average asset growth has reached more than 65% per year in the last five years. It is hoped that the role of the Islamic banking industry in supporting the national economy will become more significant (www.bi.go.id). Sharia banking in Indonesia was initially initiated by the emergence of Bank Muamalat in 1991 as the first Islamic Commercial Bank.

Then the birth of Law no. 10 of 1998 concerning Banking which allows banks to implement a dual banking system. Since then, many Sharia Business Units have sprung up from Conventional Banks to create new market shares. Initially, Islamic banking was developed through two concepts, namely the concept of Islamic windows and office channeling. The application of the Islamic Windows concept is to first establish a Sharia Business Unit (UUS) at the head office of the respective Conventional Commercial Bank (BUK). Meanwhile, Office Channeling is a term used by Bank Indonesia to describe the use of BUK offices in serving transactions with a sharia scheme, provided that the bank concerned already has UUS.

In order to increase public access to sharia banking services, Bank Indonesia through PBI No. 8/3/PBI/2006 Article 38 paragraph 2 allows BUK branch offices that already have UUS to be able to serve sharia transactions (Office Channeling) so that expansion costs will be much more efficient because these

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banks no longer need to open UUS branches in many places. However, since the enactment of Law no. 21 of 2008 concerning Islamic Banking, the development of Islamic banking is regulated through the mechanism of acquisition and conversion of conventional banks into Islamic banks. According to Anshori (2013: 1), the implementation of the mechanism for acquiring and converting banks into Islamic banking conventions can be carried out through three approaches, namely: First, Conventional Commercial Banks (BUK) which already have Islamic Business Units (UUS) acquire relatively small banks and then convert them become sharia and release and merge its UUS with the newly appointed bank. Second, BUK, which do not yet have UUS, acquire relatively small banks and convert them into sharia. Third, BUK made improvements (spin-offs) to UUS and became a separate Sharia Commercial Bank (BUS). In the Law on Sharia Banking, the existence of UUS is recognized as part of a work unit or division of BUK. The establishment of UUS is a condition for BUK to be able to provide sharia services, but like the two previous sharia banking development concepts, the existence of UUS is also temporary.

Article 68 paragraph (1) Law no. 21 of 2008 concerning Islamic Banking, that in the case of BUK having UUS whose asset value has reached at least 50% of the total value of the parent bank's assets or 15 years since the enactment of this law, the said BUK is required to make improvements (spin-offs) The UUS becomes BUS. UUS spin-off to BUS can also be carried out on a voluntary bank initiative, by first obtaining permission from Bank Indonesia (Umam, 2014). The definition of arrangement or what is commonly called Spin-Off in the law is the separation of business from one bank into two or more businesses, in accordance with statutory provisions. Spin-off is one of several strategies in restructuring carried out with the aim of increasing efficiency and productivity and can increase the overall value of the company (Abdul, 2016: 339). In addition, the Spin-Off viewed from the perspective of sharia compliance is an effort to make Islamic Banks purer and separate from Conventional Banks so that they comply more with the prudential principle in sharia transactions. Islamic banks and conventional banks differ explicitly from their basic philosophy, namely Islamic banks use a profit and loss sharing mechanism, while conventional banks apply an interest-based system. The above principles fundamentally distinguish the two types of banking so that they need to be separated (Ahmad, 2015).

Separation between UUS and its parent, it is hoped that the public will have more trust in Islamic banks. The Spin-Off phenomenon in Indonesia began to become a trend in 2008 after the passage of the Law on Islamic Banking. Since then, many new BUS and UUS have emerged. This is a result of the issuance of the law or because the public's demand for Islamic banking is increasing so that companies are competing to attract customers by forming BUS. Financial performance is one aspect of the fundamental assessment of the condition of the company. Companies that have good performance and generate profits will have the opportunity to use these profits as retained earnings or dividends. Dividend policy is a decision whether the profits earned by the company will be distributed to shareholders as dividends or will be retained in the form of retained earnings to finance future investments. Dividend policy often creates a conflict of interest between company management and shareholders. One way for investors to assess company performance is to evaluate the company's financial statements (Eduardus, 2010: 365). Assessment of the company's financial statements will assist interested parties in assessing the company's performance based on the level of liquidity, profitability, solvency, profitability and dividend policy applied by company management and other related factors.

Investment is a commitment to a number of funds or other resources that are carried out at this time, with the aim of obtaining a number of benefits in the future (Eduardus, 2010:2). Investment is the placement of funds with the hope of obtaining additional or certain benefits for these funds. Investments can be made in real assets and financial assets. An investor must pay attention to which company should be chosen, in terms of measuring the performance of a company.

Financial performance is an analysis carried out to see how far a company has carried out properly and correctly (Irham, 2016: 2). For a company, maintaining and improving financial performance is a must so that these shares continue to exist and remain in demand by investors. The published company financial statements are a reflection of the company's financial performance. This financial information has a function as a means of information, management accountability tool to company owners, description of indicators of company success and as material for consideration in decision making. Capital market participants often use this information as a benchmark or guideline in buying and selling shares of a company. Financial reports serve as a reliable and useful decision-making tool. A financial report must contain information of high value to him. This information should at least enable investors to carry out a share valuation process for users that reflects the relationship between risk and return according to the preferences of each type of stock. A financial report is said to have information content if the publication of the financial report causes a market reaction.

Market reaction refers to the behavior of investors and other market behaviors to carry out transactions (selling or buying shares) in response to important issuer decisions submitted to the market. This market reaction will be indicated by a change in the price of the relevant security. The use of financial information provided by a company usually contains analysis which causes investors to calculate its financial ratios which include the ratios of Bank Liquidity, Bank Solvability, Bank Risk and Bank Profitability as a basis for consideration in investment decisions. Measurement of performance based on financial and non-financial information, such as measurement of financial performance which aims to manage the company's operational activities effectively and efficiently. Measurement of financial performance plays an important role in decision making for both internal and external parties of the company. Performance measures also include the company's ability to meet its financial obligations when billed, measure the extent to which assets are effectively used by looking at the level of asset activity, measure how well a company is able to generate profits, and measure the value of the company's development relative to market value.

Performance appraisal or measurement determines the appearance of the company in the form of organizational structure operational activities and employees based on predetermined goals, standards and criteria. In addition, it also includes various financial ratios, which can be used to evaluate a company's financial performance, namely the ratio of Profitability, Liquidity, Solvency, and Activity ratios. This is one of the financial performance of Conventional Banks and Sharia Banks in 2017.

In 2017, the growth of Islamic banking was actually quite aggressive with a growth of 15.9 percent and a profit of 10 percent. Even then, with a high run-off because sharia banking products are based on installments. The 15.9 percent growth is accompanied by portfolio changes that can be up to 30 percent. Conventional banks and Islamic banks are different, the conventional runoff is smaller. The Financial Services Authority (OJK) sees that Islamic banking has started to improve in 2017. From the fourth quarter of 2016 to October 2017, the gross NPF of Islamic banking has tended to improve or decrease but is still always above conventional banking NPL. Based on OJK data as of October 2017, Islamic banking financing amounted to IDR 281.83 trillion, growing by 15.75 percent on an annual basis (year on year). The growth of banking third party funds (DPK) was 20.54 percent to IDR 325.69 trillion. Meanwhile assets grew 19.79 percent to Rp 406.23 trillion. OJK noted that non-performing gross financing for Islamic banks as of October 2017 reached 4.12 percent while conventional banking was 2.96 percent in the same period .

Each Islamic bank has differences in the performance of corporate finance companies. Bank Rakyat Indonesia Syariah several years Quick Raio has increased but the company's net profit margin has actually decreased, on the contrary the quick ratio has decreased but the company's net profit margin has actually increased.

Triwahyuningtyas, E., & Ismail (2015) stated that the performance of Islamic Commercial Banks in Indonesia is influenced by several factors from a financial and non-financial perspective. In terms of Capital Adequacy Ratio, almost all Islamic banks have a Capital Adequacy Ratio above 8% indicating a healthy condition and NPF below 6%. The performance of Islamic banks seen from the Return on Assets and Return on Equity there are still many Islamic banks that fall into the unhealthy category, this is because Islamic banks have not been able to use their capital to finance third parties optimally so that it affects the profits generated.

Fatmasari, R., & Kholmi, M. (2018) stated that the operational activities of Islamic banks are not in accordance with the objectives of Islamic banking which emphasize the maximum distribution of zakat. The best Equity Ratio (Qardh) is Bank BNI Syariah. The best Equitable Distribution Ratio (Employes Expense) is Bank BCA Syariah meanwhile. The best Equitable Distribution Ratio (Dividend) ratio is Bank Syariah Mandiri. Meanwhile, Islamic Income vs. Non-Islamic Income all have high ratio results or can be said to be very good. The average achievement score is above 35% which indicates that all banks have received a very good rating. This indicates that the bank pays attention to every incoming income.

Kartika, PP, & Kristianto, D. (2013) states that financial performance as represented by Return on Assets, Return on Equity, and a comparison of net income to earning assets in 2005-2009 shows that there is a significant difference between the profit and loss approach and added value. quantitative. Overall, the risk level of Islamic banking is measured using the profit and loss and added value approach, according to research results, the ratio obtained using the profit and loss approach is lower than the value added approach. There are differences between the profit and loss and value added approaches, due to differences in the construction and concepts of the accounting theories of the two approaches. So that in this study the added value (profit) is higher than the profit obtained based on the profit and loss approach.

METHOD

In this study, the aim was to find out the performance of sharia-based finance in improving company performance (a case study on Islamic Indonesian people's banks listed on the Indonesian stock exchange , the type of data used was secondary data, the data collection technique used was the data collection technique and the data analysis method was the quantitative descriptive. The object of this research is the financial performance of Islamic banking. This study uses financial ratios in analyzing the financial performance of Islamic banks listed on the Indonesia Stock Exchange. The data collection technique used in this study is a documentation technique, which seeks data on matters or variables in the form of notes, books, newspapers, magazines, or data relating to the object of research (Arikunto, 2002). Data analysis techniques in this study, namely using quantitative descriptive analysis tools. financial performance and sharia performance will be calculated quantitatively, which will then be analyzed descriptively to explain some of the phenomena found in this study.

DISCUSSION

Definition of Banks

In accordance with Law no. conventional and based on its type consists of Conventional Commercial Banks and Rural Banks. While the definition of Islamic banks as referred to in Law No. 21 of 2008, Islamic Banks are financial institutions that operate in accordance with sharia law.

From the definition mentioned above, it can be interpreted that a bank is a financial intermediary institution whose job is to collect and channel funds from the public in order to improve the lives of the common people.

Definition of Financial Statements

According to Hery (2015: 5) Financial reports are the end result of a series of processes for collecting and summarizing business transaction data. So it can be concluded, the financial statements are where the data generated describes the financial condition of a company either through the form of calm or profit and loss statements of a company in a certain period.

Financial Performance

Financial Performance According to Mulyadi Budiwibowo (2013: 28) Financial performance is an official's periodic success of the activities of the company and its employees in line with the targets, benchmarks, and benchmarks that have been set. According to Marginingsih Suhendro (2017: 221) the measurement of financial performance, namely ratio analysis which is carried out through an analysis of matched financial statements, presents data that is change which is reflected in the value of the rupiah, how much the business is successful in achieving its goals, can be carried out through the analysis of financial statements that are aligned, including information about changing things that are running in total rupiah, proportions, trend direction. In general, the purpose of measuring financial performance is to find out how effective a company is in achieving predetermined goals and whether its financial performance is in good condition or not.

CONCLUSION

Performance appraisal using the CAMEL method on average of the three Islamic commercial banks on the IDX for the 2015-2018 period is still in the Unhealthy predicate (Credit value 65-57), this is because the CAMEL analysis only uses four ratios, namely CAR, ROA , NPF and FDR. The research results show that the comparison between the performance of the Maqasid Syariah Index and the CAMEL that has been carried out from each Islamic banking shows different results. The third bank has its own advantages in implementing the elements of Maqasid Syariah as well as implementing other financial performance

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